FINANCIAL TIMES

World Business Newspaper http://www.FT.com

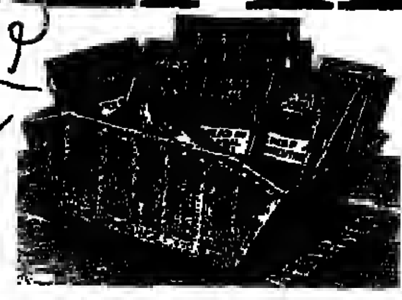
MONDAY JANUARY 27 1997

Start the week with...

Robert Chote

Economics and uncertainty

Page 17



Management

What's in a title

Page 10

FT guide

The gold market

Kenneth Gooding, Page 8

The FT's 12-part series continues today

FT Mastering Enterprise

Part Nine: Managing long-term growth

Europe 'falling behind Asia and US in use of IT'

Europe's future prosperity is threatened because it has an "unenthusiastic approach" to information technology and is falling behind the US and Asia, according to executives at several US companies. This is putting the competitiveness of European companies and the strength of its economies at risk, they claim. Page 18

France to press for Nato reform: France is planning to step up talks with the US on reforming Nato, which a new Franco-German defence document hails as the key to European defence. Page 2

Likud and Labour in show of unity: Israel's governing Likud and opposition Labour parties unveiled plans for a permanent settlement with the Palestinians in a rare sbow of unity before "final status" talks start. Page 4

Esprit Telecom to float: Telecommunications carrier Esprit Telecom is set to announce a public offering in New York and London. Analysts estimate it having an enterprise value of about $200m, and investment bankers expect it to raise about $100m. Page 19

Peruvian guerrillas free hostage: Marxist rebels who have been holding more than 70 hostages in the Japanese ambassador's residence in Lima, Peru, for 40 days freed police general Jose Rivas Rodriguez because of illness. Page 3

Albright's call on foreign policy: US secretary of state Madeleine Albright says she wants a bipartisan US foreign policy huilt on good relations with the Republican Congress. The US administration has often conducted foreign policy by circumventing Congress. Page 3

China sets up third oil company: China has established a third national oil company – the China National Star Petroleum Corp – in a bid to enliven a disappointing sector. Page 4

Caisse d'Epargne, ona of France's largest financial institutions, is poised to launch a range of non-life insurance products for sale through its branch network – which could accelerate competition in the market. Page 18

UN warns on world's resources: The world is using up natural resources faster than they can be renewed and lacks a sense of urgency to prevent an "environmental precipice", according to a report. Page 4

HK welcomes reporter's release: Hong Kong politicians welcomed China's unexpected release of Xi Yang, a reporter jailed over claims he acquired state secrets for an article on gold reserves. The move is seen as a bid to counter civil liberties fears after the territory returns to China. Page 4

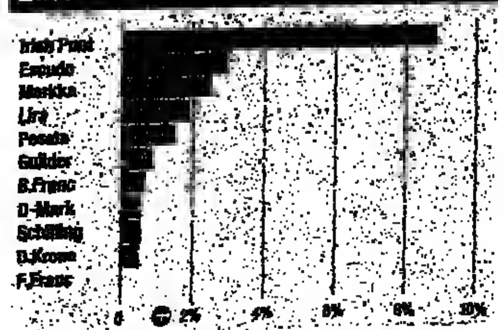
Sweden to probe gold claims: Sweden is to investigate claims it may have bought seven tonnes of gold from Nazi Germany, despite suspicions that much of it may have been stolen. Editorial Comment, Page 17

Egypt inquiry on 'black market' trading: Egypt's atock market regulator is to investigate alleged black market share dealing by traders trying to beat price ceilings. Page 18

Because of a printing error, a number of stories were missing from page 7 of some European copies of last Monday's Financial Times. We apologise for the inconvenience caused.

European Monetary System: The gaps between most of tha currencies in the EMS grid narrowed last week. The Danish krone slipped three places, and the peseta and the lira swapped ranks. The latter two both ceased to threateo their unofficial 2.25 per cent fluctuation bands within the European exchange rate mechanism. **Currencies, Page 25**

EMS: Grid — January 24, 1997



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Protests grow over Albanian pyramid schemes

Mobs burn government buildings after thousands lose life savings

By Kevin Done and Kerin Hope in Tirana

Angry crowds set fire to government buildings across southern Albania yesterday as protests mounted over the collapse of pyramid finance schemes that have cost many people their life savings.

Thousands of demonstrators took to the streets of Tirana, the capital, hurling stones at police and shouting "The government are thieves. We want our money back."

The leading opposition Socialist party called for the resignation of the right-wing government of President Sali Berisha and for new elections.

Riot police used water cannon to disperse protesters in Skanderbeg Square, scene of the downfall of the country's former Stalinist regime at the beginning of the 1990s, as armed police and soldiers guarded parliament and government buildings.

Mr Aleksander Meksi, prime minister, called for calm in a television address and promised the government would atart distributing next week some of the $230m of funds frozen 10 days ago in deposit accounts held at state banks by Xhaferri and Populli, two of the failed pyramid schemes.

In some cities police stood aside as protesters blocked roads, severing transport links between the north and south of the country and with neighbouring Greece and Yugoslavia.

In Rrogozhine, whicb was paralysed by a mile of makeshift blockades, one police officer said orders bad been received from the interior ministry not to break up demonstrations by force.

Many police have suffered with the rest of the population in losing their savings, and there are doubts over their readiness to enforce order. "If they tell me to go and beat people, I will take off my uniform and go home," said one.

The government appeared to have lost control of some large cities such as Lushnje in central Albania, bome of the founders of two of the failed pyramid schemas. On Saturday Mr Tritan Shehu, deputy prime minister, was forced to take refuge from protesters in tbe changing rooms of the local football stadium. Yesterday protesters set fire to the police station and local government offices in the port of Vlora, base of the failed Gjallica pyramid scheme. In Patos they attacked the headquarters of Albpetrol, tbe state-owned oil company.

The collapse of the pyramid schemes is a serious setback to the economic progress made by Europe'a poorest country.

It is understood that most of the failed schemes' frozen deposits are held in the form of Albanian government treasury bills at the state-owned National Commercial Bank, which is already burdened by a heavy portfolio of non-performing debt.

A big run-down of NCB's liquid assets in making payments to the pyramid schemes' victims will further curtail its lending activities and is likely to bring a furtber surge in inflation. The year-on-year rate reached almost 18 per cent in December compared with 6 per cent a year earlier.

Albanians enraged, Page 2

Germany may only narrowly qualify for economic and monetary union

Bonn increases deficit forecast to 2.9 per cent

By Peter Norman in Bonn

The German government has revised upwards its forecast of this year's public sector deficit, suggesting that the country will qualify only narrowly for European economic and monetary union.

This year's government deficit is expected to be about 2.9 per cent of gross domestic product, according to the annual economic report which is to be approved by the cabinet tomorrow.

This would represent a marked decline compared with last year's deficit of 3.9 per cent of GDP. But it is only just within the 3 per cent limit specified in the Maastricht treaty and higher than the 2.5 per cent of GDP forecast by the finance ministry when finalising the federal hudget for this year.

The gloomiar outlook for public finances reflects an upward revision of the unemployment figure for this year. According to weekend leaks of the report, the government expecta unemployment to average 4.1m and does not exclude the possibility of a higher figure. The budget arithmetic was based on expectations of 3.95m jobless.

Bonn expects economic growth to pick up during 1997 and average 2.5 per cent compared with 1.4 per cent in 1996. However, at this rate, economic growth will be too slow to have a significant impact on an unemployment rete that is expected to average about 11 per cent in 1997, against 10.3 per cent last year.

In view of this, Mr Günter Rexrodt, the economics minister, plans to push ahead with reforms to deregulate the German economy and make it more capable of adjusting to the challenges of globalisation. Draft legislation to make it easier for entrepreneurs to raise equity capital is in preparation, with publication due in March.

The economics ministry is working to liberalise Germany's electricity and gas markets. The government expects more progress in 1997 tban last year with its privatisation programme, having drafted legislation to permit the sale to the public of its remaining stake in Lufthansa. Mr Rexrodt has signalled an initiative to encourage activity and employment in Germany's service sector.

The government's economic report received strong criticism at the weekend, before its publication. Mr Ernst Schwanbold, the economic policy spokesman of the opposition Social Democratic party, said it provided no answers on how to strengthen economic growth or boost employment.

The DIW economic research institute in Berlin rejected the report's forecast that growth in eastern Germany would be 2.5 per cent, in line with the national average. DIW said growth in the region would be only 1 per cent.

German tax avoidance, Page 2
Philip Stephens, Page 16
Lex, Page 18

A knight to remember: Theo Waigel, Germany's irrepressibly cheerful finance minister, made light of his budget battles as he accepted the medal 'against deadly seriousness' at the Aachen *carnival in full medieval regalia yesterday*

Picture: Reuter

Bill aims to free US power market

By Bruce Clark in Washington

A bill to liberalise the $200bn US electricity market is expected to start a furious debate this week.

Drafts of the bill to be introduced by Senator Dale Bumpers, an Arkansas Democrat, propose opening np tha national grid and giving all consumers "the right to purchase retail electric energy from any person seeking to provide such energy" from January 2003.

Would-be sellers of power would have "reasonable and non-discriminatory access" to tha distribution networks of other ntilities, according to the drafts circulating on Capitol Hill.

The grid was partially opened by the liberalisation in 1992 of the wholesale electricity market. That spawned a new breed of marketing company which procures power wherever it is cheapest and sells it to other utilities – though not to retail end-users.

But the users' lobby – dominated by large industries – is still frustrated by the buge

Continued on Page 18

BBC and TCI to launch US cable channels

By Raymond Snoddy in London

The BBC is planning to launch its own branded channels in the US in co-operation with Mr John Malone'a Telecommunications Inc, the largest US cable operator.

It is considering involvement in further channels, which would oot necessarily carry its name, in vantures with both TCI and Discovery, the company which produces factual cable and satallite channels and in which TCI has a 49 per cent stake.

Two BBC branded channels are probable, one devoted to general and entertainment programming and the other to factual programmes. They are likely to be launched next year as digital cable television starts in the US and they will be different from the existing BBC international channels, BBC Prime and BBC World.

Mr Malone, chief executive of TCI, said Discovery was aggressive in its launch of Animal Planet – a channel devoted to programmes on animals – because it could depend on a future flow of BBC nature programmes.

The channel has about 30m subscribers in the US and is likely to be shown around the world, like Discovery channel. "I know the BBC is exploring various formats and ia also exploring a broader relationship in the US beyood Animal Planet and beyond BBC World [an existing news service]," said Mr Malone.

TCI recently ran into problems following disappointing third quarter results. Mr Malone called a temporary balt to a big capital investment programme for a period of reassessment and cost-cutting.

He insisted that the planned venture with the BBC would not be affected. "The relationship [with the BBC] looks great and we are very enthusiastic about it both domestically in the US – where we can support in a number of ways their distributioo – as well as overseas." He believes there will be digital capacity throughout the US cable industry by mid-1998.

TCI is expected to offer soon a package of existing analogue cable and 200 channels of digital as an incremental offering at a cost of $1.2bn (£.71bn).

Malone interview, Page 13

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Albanians enraged at collapse of pyramid schemes

The first sign of trouble was the concrete sewage pipes blocking Albania's main north-south road. A crowd of young men arguing with police hauled aside the wreck of a car to let through one truck. But it was going nowhere.

Every 50 yards protesters barred the way through the squalid town of Rrogozhine, a strategic crossroads in central Albania. A pall of black smoke billowed from the burning tyres set alight in the makeshift barricades of old cars, uprooted trees, paving stones and rusting truck axles.

Albanians, plunged back into poverty by the collapse of a etring of pyramid finance schemes since last month, took to the streets at tha weekend to press President Sali Berisha's rightwing government for the return of their savings.

"I invested $30,000 I saved working in Germany and I have lost it all. Why did the government allow these schemes to go on collecting money?" said Mr Agem Mucaj, an unemployed building worker standing at a barricade in Rrogozhine.

The demonstrations became violent in several towns. In Berat, protesters stoned the town hall, police station and courts and set buildings on fire. In Lushnje, the home town of the operators of two of the biggest pyramid schemes, Mr Tritan Shehu, deputy prime minister and foreign minister, was forced to take refuge with his bodyguards in the changing rooms of the football stadium after failing to pacify the angry crowd.

Funds may have drawn $1bn, report Kevin Done and Kerin Hope

The collapse of the pyramid echemes has hit Albanie, Europe's poorest country, harder than the earlier demise of similar funds elsewhere in former communist east Europe.

International financial institutions estimate that the funds could have attracted $1bn, equivalent to more than 30 per cent of the gross domestic prodnct. Some people have sold their homes, land or livestock to invest in funds that promised to double their money in two or three months.

"It is a huge operation and completely unprecedented. We have not seen anything like it in east Europe or in any other countries before. It is a mania," said a leading western financial official. "The effects of the crash could be quite severe. It is too late to do anything now but damage control."

Informal deposit-taking took off several years ago in the absence of an effective banking eystem and in a period in which the economy has largely been financed through remittances from Albanians working abroad, through international aid and from the proceeds of widespread smuggling while UN sanctions were being enforced against Serbia and Montenegro.

POPULATION: 3.2m, average age 25. Primarily Moslem: other religions include Orthodox Christian and Roman Catholic. Religious worship, banned in 1967, was made legal again in 1990.

AREA: 28,748 sq km.

MODERN HISTORY: Independent in 1912 after 450 years of Turkish rule, it became a monarchy in 1928 under King Zog. The Stalinist Enver Hoxha led a harsh regime for 40 years until his death in 1985, isolating his state under a policy of self-reliance. Ramiz Alia cautiously opened country to outside world and his Communist party won the first multi-party elections in March 1991. After dozens were killed in food riots, elections in March 1992 brought landslide win for Democratic party.

ECONOMY: Growth officially estimated at about 8 per cent last year. Average monthly wage $80. Inflation cut to 6 per cent in 1995, from 237 per cent in 1992, but up to about 17 per cent last year. Unemployment 10 per cent. Industries include mining, agricultural product processing, textiles, oil products and cement.

Mr Berisha has promised that aavings will be refunded. Last week the Democratic party government passed an emergency law banning pyramid schemes and setting penalties of up to 20 years in prison for operators. Some fund managers and employees bave already been arrested.

While money deposited in two funds has apparently disappeared, the government finally intervened last week and froze deposits totalling around 25.5bn leks ($231m) of two other schemes, Xhaferri and Populli, held in the state-owned banks.

Official estimates suggest that funds beld in the state banks by the nine leading companies and foundations taking deposits at high interest rates bave recently totalled 41bn leks, though it is feared that a large part of people's savings have disappeared.

In response to tough warnings from international financial institutions, including the International Monetary Fund, the government set up last November a so-called transparency commission to look into the operations of the informal deposit-taking schemes.

Some of tha fastest-growing private sector companies such as VEFA Holdings and the Kamberi group have used these informal channels to finance their activities. Several were prominent supporters of the Democratic party in last year's controversial general election, in which the government won an overwhelming victory amid allegations from international observers of ballot-rigging, intimidation and violence.

While some of the foundations have already collapsed, the government has declared its support for companies snch as VEFA that have made productive investments. VEFA has begun to run a lavish advertising campaign claiming to run activities ranging from agri-business and food-processing to tourism, shipping and aviation. It has reapplied in recent days for a banking licence only months after its previous application was turned down by the central bank.

International financial institutions have warned of the dangers posed by pyramid echemes to Albania's fragile banking system, saying licensing and supervision regulations should not be relaxed.

There are fears, too, that the collapse of the pyramid schemes could undo much recent economic progress, triggering higher inflation, weakening the currency and undermining prospects for investment and employment.

In many cases Albanians have lost all the savings built up during the past six years ae the country emerged from decades of Stalinist isolation, a blow that threatens a repetition of the exodus to Italy and Greece that occurred amid the economic chaos of the early 1990s.

In eix years as an illegal immigrant working on farms in Crete, Mr Xhyher Lamani managed to eave $24,000, which be invested in three of the failed pyramid schemes. "I wanted to build a house in Tirana and make a proper life for my family, but now there's nothing else to do but go back to Greece.

"This is worse than a disaster."

Franco-German pact stresses reform of Nato

By David Buchan in Paris

France is planning to step up negotiations with the US on reform of Nato, which a new Franco-German defence document hails as the key to European defence.

Details of the Franco-German agreement on a "common strategic concept" were disclosed at the weekend by Le Monde, the French daily, which obtained a German copy of the document agreed last month by President Jacques Chirac and Chancellor Helmut Kohl at their summit in Nuremberg. The two leaders had said they would submit the defence paper to their respective parliaments before publishing its content.

Mainly designed to ease the tensions created by France's abrupt announcement of defence reforms a year ago, the paper says the security interests of the two countries are "indivisible". It also says France and Germany "are ready to open a dialogue on the role of nnclear deterrence in the context of a European defence policy".

France, which has already been discussing the post-cold war role of nuclear deterrence with the UK, Europe'e only other etomic weapon state, said in 1995 that it was ready to open such a dialogue, partly to assoage European criticism of its controversial Pacific nuclear teets. Germany hae renounced any nnclear weapons of its own since the second world war.

But the document makes it clear that Franco-German security ties are a complement – not an alternative – to "reforming the alliance and re-founding the Atlantic partnership with the US on new and sobd bases".

To ease German fears that France plans to launch its new, fully professional army into far-flung forays overseas, the defence paper says: "All our conventional forces, including rapid reaction forces, are primarily at the service of the defence of our allies" in Nato and the West European Union.

This appears to make it essential that France reaches agreement with the US at July's Nato summit on Europeanising the Atlantic alliance. Paris has set this as its price for rejoining the Nato integrated military command it quit in 1966. But Mr Chirac'e bid to put Europeans in charge of Neto'e regional commands has so far foundered on steadfast US refusal to surrender control of the US Sixth Fleet in the Mediterranean.

Given the uncontroversial nature of the Franco-German defence concept, it is unclear why it should have been kept under wraps. At Nuremberg, President Chirac said he and Mr Kohl had decided to reserve the primeur, or first flavour, of it for their deputies. Snch respect for parliamentary rights is not something that has worried Frencb presidents in the past, though it may have weighed with Mr Kohl.

Chechens prepare a very democratic poll

Whoever wins battered republic's election will call for independence, writes Chrystia Freeland

Building number 70 on Bohdan Khmelnitsky etreet in central Dzhokhar-Ghala, as the Chechen capital Grozny is now officially called, is one of hundreds of mute witnesses to the destruction Russia wrought in its 21-month war against the breakaway republic. The nine-storey apartment block is pocked with bullet holes, many of its windows have been shot out, and it has no heat or running water.

Yet in a flat on the top floor, just beneath a gaping shell-hole in the roof, Mr Abdulkhamid Sinbarigov sits at a video-editing table crafting eophisticated "attack ads" to be aired in the run-up to today's presidential elections.

Mr Sinbarigov is one of thousands of Chechens who are putting a 20th century twist on the Biblical admonition to warring nations to turn their swords into ploughshares.

Less than five months after winning their fight with the Kremlin, Chechen leaders have set down their guns and put together an election race which is astoundingly similar to the practice of more experienced and less battered democracies.

Chechnya's five avidly-watched local television channels are awash with political broadcasts, featuring everything from sophisticated negative campaigning to heart-warming interviews with the candidates' mothers.

Presidential candidate Aslan Maskhadov (left) greets Chechen soldiers yesterday AP

The top presidential contenders have criss-crossed the mountainous region holding hundreds of well-attended rallies and fielding qnestions on everything from privatisation to pensions. Chechen pundits even think they have discovered a gender gap.

In a republic wbere most homes still sport the bruises of the recent war, it would be too much to expect opinion polls to predict the result of today's vote. But one outcome is certain: no matter who wins, the election will effectively be a nationwide referendum on independence and one which will call for a full and formal separation from Russia.

The dark-horse candidate and the man who would provoke the sharpest rupture with Moscow is Mr Shamil Basayev. Beyond Chechnya's borders, Mr Basayev is best known as the gunman who in 1995 seized a hospital in the southern Russian city of Budennovsk, holding its patients and doctors hostage in an effort to force Russia to end the war in his homeland.

But in Chechnya, that raid has won the dashing 32-year-old mythic status.

"I will vote for Shamil, be is a legendary hero," said Mrs Nakhapu Abdulazimova, the 42-year-old beadmistress of a middle school, as she watcbed her favourite deliver a campaign pitch in his native mountain village of Vedeno.

With an energetic, aggressive style – be is the only candidate who directly criticises the others – Mr Basayev bas employed his beroic reputation with eome effect to give himself a real chance for the presidency. Even Mr Aslan Maskhadov, the chief military commander of the Chechen separatist forces and the generally acknowledged front-runner in today'e contest, admits that Mr Basayev is his strongest adversary.

Although the two men were comrades during the battle against Russia, they have adopted sharply different campaign styles. A modest mannered 42-year-old who was a successful career officer in the Soviet army, Mr Maskhadov has made self-effacement the theme of his campaign.

Surrounded by the carpet-covered walls of his sister's bome in the village of Peromaysk, Mr Maskhadov yesterday earnestly explained that his popularity was due solely to good luck.

"I think I have a better chance than the other candidates but I do not want to say I am better than they are," he explained. "It just so happened that Chechens today are judging their leaders by the battlefield and the peace talks. As military commander, I happened to be prominent in both places."

Sucb delicacy goes over well with many Chechens, whose 19th-century forebears were described by one European observer as "the French of the Caucasus" because of their society'e egalitarian traditions and its lack of a ruling aristocracy.

Mr Basayev'e supporters have sought to put a different twist on Mr Maskhadov's mildness, insinuating that the former commander might cave in to Russian demands. But, although Mr Maskhadov is one of Chechnya's most sophisticated and diplomatic leaders, the Kremlin can take little comfort from his policies.

As he explicitly stated over the weekend, Mr Maskhadov, like all the other front-runners, intends to push for full independence after the election. For Russia, and the rest of the world, that may be the most important consequence of today's vote.

In fact, for most Chechens, inclnding the military leaders who have taken an oath to unite behind whoever is elected, the significance of today's ballot lies more in how the game is played than in who wins.

"It doesn't really matter who wins, we support all five of the top candidates, they were all our war leaders," said Mr Leche Darshaiev, a 55-year-old shepherd. "If we were as big as Russia, we could divide ourselves into five pieces and let each one rule. But we are small, so what we must do is try to make our elections very fair, as fair as anywhere in the world."

Stet merger plan sets off Rome wrangling

By Paul Betts in Milan

The Italian government's decision on Friday to shake up the top management of Stet, the state-controlled telecoms holding company, and push ahead with the merger of the group and its main operating subsidiary, Telecom Italia, has opened a new round of political wrangling over Stet's long-delayed privatisation.

Mr Carlo Azeglio Ciampi, the treasury minister, yesterday told Il Sole 24 Ore, the financial newspaper, that the decisions were designed to give international markets a clear signal that "we are serious about privatisation".

But the move has also provoked a row within the centre-left Olive Tree coalition, and between government and opposition.

The government was stung by its parliamentary defeat this month over the bill to transfer Stet's ownership from the Iri state bolding company to the Treasury. That was followed by criticism last week of Italy's telecom competition policies by Mr Karel Van Miert, the European commissioner for competition, who is reported to have asked: "Who runs Italy; the government or Stet?"

Facing pressure from dairy farmers over EU milk quotas, and from political opponents over the forthcoming spring mini-budget and over constitutional reform, Mr Romano Prodi, the prime minister, decided to act swiftly.

That took opponents by eurprise. Mr Ernesto Pascale, Stet's managing director, and Mr Biagio Agnes, the chairman, only learnt of their imminent removal on Friday in a newspaper leak. The choice of Mr Guido Rossi, former bead of Consob, the stock market watchdog, and ex-chairman of the Montedison industrial group, as new chairman of Stet, and Mr Tomaso Tommassi di Vignano of Telecom Italia as new managing director, was clearly designed to restore confidence in the privatisation.

Mr Rossi, also a former independent leftwing senator, has been an outspoken eupporter of small sbareholder interests, has virulently opposed the use of golden sbares in privatisations and has campaigned to improve corporate governance in Italy.

The decision to merge Telecom Italia into Stet, rather than the other way round was also aimed at simplifying the privatisation process. Mr Ciampi yesterdey said the government's adviser, Morgan Stanley, had recommended this course because Stet was alreedy quoted on Wall Street. "To have quoted another company would have made us lose time and money," he said.

A Stet board meeting will approve the merger on Thursday and appoint an adviser to evaluate the deal. The government wants to complete the merger by the eod of July to prepare for flotation et the end of October or November.

Mr Ciampi also said Stet had to forge international alliances with otber partners. Tbat is viewed as a necessity if tbe combined group – which will have consolidated annual turnover over L40,000bn ($26bn) – is to compete in a global deregulated telecoms market.

Tbe bard-line Reconstructed Communism party (RC), on whose support the governing coalition relies, has repeatedly opposed the Stet privatisation and insisted the government retain a 51 per cent stake as well as a golden share. However, when Stet absorbs Telecom Italia the state's share in the group will drop to 45 per cent. At present the state owns 61 per cent of Stet, which in turn owns 64 per cent of Telecom Italia'e voting shares.

The government is also considering placing a ceiling of 3 per cent or even less on individual ehareboldings to avoid heavy accumulation of ehares before completion of the merger.

The valuation process will also be complicated because of a string of stakes in other quoted and non-quoted telecommunications companies in the Stet portfolio, including Telecom Italia Mobile, the cellular phone company, Italtel, tbe equipment maker, Finsiel, the software sobsidiary, and Sirti, the engineering group.

At current stock market levels, the merged company is estimated to have a capitalisation of around L55,000bn.

Market analysts estimate one Stet share to be worth between 1.5 and 2 Telecom Italia shares, but uncertainty over the deal will prevail until valuation is complete.

On top of that, privatisation still requires parliamentary approval for an Italian telecommunications regulatory authority.

Political opponents are already sharpening their rhetoric for a new round of filibustering. Mr Silvio Berlusconi, the media mogul and leader of the rightwing opposition, has accused the government of "jobs for the boys" with its top management reshuffle at Stet.

Mr Fausto Bertinotti, the RC leader, said he was concerned by Mr Rossi's close ties with Mediobanca, Italy'e most secretive and influential bank, and his stated opposition to golden shares.

THE FINANCIAL TIMES

Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

GERMANY:

Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

FRANCE:

Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN:

Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

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Germany's tax avoiders unperturbed

By Peter Norman in Bonn

Trades unione, pensionere, churches, opposition politicians and even some members of Chancellor Helmut Kohl's Christian Democratic Union have protested against the German government's plans to reduce tax rates and cut tax breaks.

But there has been a notable silence from the tax avoidance industry, which was the one clear loser singled out by Mr Theo Waigel, the finance minister, when he outlined his plans to reform Germany's complex and inequitable tax system last week.

The sight on Friday of the tennis player Steffi Graf's father being given a 45-month jail sentence for tax evasion and the news that Mr Waigel intends to attack commonly used legal loopholes in his reform programme might be expected to trigger alarm among the affluent self-employed and their advisers, who use special depreciation provisions and other tax breaks to turn income into paper losses in their annual income tax declarations.

But the doctors, dentists, architects, lawyers and accountants, who according to the Ifo economic research institute of Munich are the best customers of these specialist advisers, are probably right to stay calm. Past tax reforms have done little to curb tax avoidance or change a culture where, according to Mr Erwin Hnber, the Bavarian finance minister, "Germans derive more pleasure from saving taxes than from their reproductive instincts".

Two proposals from last week should hit tax avoidance schemes hard. Mr Waigel plans to end the degressive depreciation of investments in rental accommodation, a move that should net an extra DM2.4bn ($1.5bn) a year. A further DM5bn should come from the taxation of exceptional gains from the sale of investments at the full rate instead of at half an individual'e average tax rate as before.

Mr Waigel's plan to broaden the tax base by curtailing DM51bn of tax privileges has not gone as far as some boped. Mr Gunnar Uldall, the CDU politician who helped start the latest drive for tax reform with a blueprint for income tax rates of 8, 18 and 28 per cent, identified DM305.5bn of tax breaks and privileges that should be swept away.

Moreover, Mr Waigel's reform commission produced no new proposals to deal with the special schemes to promote investment in the new Länder which have produced a glut of unlettable offices, flats and shops in many eastern German towns. Reform must await a new eastern Germany policy.

There is a ready market in Germany for books with titles such as "1,000 totally legal tax tricks", a tome of nearly 1,000 pages which Mr Franz Konz, a former tax official, has published and updated each year for the past 20 years.

Although they mark a big step in the right direction, it is unlikely that the latest tax reform plans will put Mr Konz and his fellow tax advisers out of a job.

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Positions harden on Peru hostages

A police general was yesterday released from the Japanese ambassador's residence in Lima, reducing the number of hostages held by guerrillas of the Tupac Amaru Revolutionary Movement (MRTA) to 72, writes Sally Bowen in Lima.

All the remaining hostages are Peruvian and Japanese apart from the Bolivian ambassador to Peru.

The release of the hostage, who had been taken ill, came against a background of rising tension and a hardening of positions on both sides. Speculation is mounting that military action to end the 40-day old crisis is likely.

For several days, Peruvian counter-terrorist police have sporadically engaged in manoeuvres to intimidate the MRTA hostage-takers. Helicopters, troop carriers and élite troops have been in evidence around the building.

The provocative measures have several times prompted the guerrillas to fire warning shots, raising the tension. However the MRTA'a self-styled "comandante" Nestor Cerpa Cartolini, speaking over an improvised radio link, warned the Peruvian anthorities such tactics were more damaging to the hostages tban to MRTA "who are accustomed to police harassment".

Prospects for communication between the government and the guerrillas, which had looked likely a week ago, has faltered. The MRTA, shouting "death or freedom", reiterated that release of jailed comrades was a precondition for talks. President Alberto Fujimori remains adamant there can be no freedom for those jailed for terrorism.

Mr Fujimori has said a peaceful outcome is a priority but, if any hostage was harmed, "the action of the Peruvian government in co-ordination with Bolivia and Japan could have a different logic."

Albright eyes bipartisan foreign policy

By Nancy Dunne and Bruce Clark in Washington

Mrs Madeleine Albright, the new US secretary of state, yesterday said she hoped to build on good relations with the Republican Congress to create a bipartisan foreign policy similar to that which developed at the end of the second world war.

Appearing on NBC's Meet the Press, Mrs Albright said there is "the same kind of opportunity" now as at the end of the cold war for the two parties to work together. She said that although she had some disagreemants with Senator Jesse Helms, chairman of the Senate foreign relations committea, both "share a love of our country" and wanted to protect US interests.

For tha last two years, President Bill Clinton's administration has conducted foreign policy by circumventing tha Republican Congress when necessary – as in the bailout of Mexico's debts – and co-operating only when necessary and politically expedient.

Albright: hoped to build on good relations with Congress AP

The administration signed on to Senator Helm's tough anti-Cuba legislation, wben feelings ran high in the wake of the shooting down by Cuba of two small aircraft.

However, Washington's ability to move unilaterally is increasingly limited. It is badly in arrears to the United Nations and has been constrained in operations around the world by budgetary restrictions imposed by Congress.

Mrs Albright has been confirming her tough reputation by pledging to "tell it like it is" when discussing human rights or Hong Kong with China. In her first press conference after confirmation on Friday, she lashed out at Cuba es an anachronistic tyranny and, less predictably, singled out Sudan as a nation which supported terrorism and deserved to be subjected to further international sanctions.

She was firm about the US decision to expand Nato eastwards, again drawing on second world war parallels to say that the US had assisted western Europa then and now must "provide a sense of stability" to central and eastern Europe "to make sure ethnic and border conflicts don't overwhelm."

This, sbe said, "is not anti-Russian" and tbere is a mutual understanding between US and Russian officials, who are nervous about tha expansion, "that we have to work things out".

Yesterday she said she would be making ber maiden trip abroad in a few weeks, visiting "major power centres" in botb Europe and Asia on one trip.

She expected the president's summit with Russian president Boris Yeltsin to proceed, as planned, in Marcb, althongb the two might meet abroad to ease the strain of travelling on the ailing Russian leader.

President Clinton's selection of Republican Senator William Cohen as [illegible]fence secretary [illegible] a[illegible]other attempt [illegible] [illegible]idges with th[illegible] [illegible]u Congress.

Sw[illegible] [illegible]k, he warm[illegible] hearts by te[illegible] [illegible]as time to lat[illegible] [illegible]ans – in keeping [illegible] their stated wish for a European defence identity – take care of Bosnian peacekeeping after 1998.

His remarks contain tha seeds of a serious transatlantic disagreement, observers said – given that the leading west Europeans are deeply reluctant to kaep troops thera witbout US snpport, and many experts on the region reckon that war could resume if all peacekeepers were removed.

Appearing on ABC's This Week yesterday, Mr Cohen seemed to shift the emphasis, saying peace would have to depend on an armed Bosnian counterweigbt to Serbia.

A long, slow haul for Cuba's economy

The US embargo, Helms-Burton and Hurricane Lili have made their mark, says Pascal Fletcher

Cuba's central bank chief, Mr Francisco Soberón, likes to say that he and his fellow economic policy-makers manage the state-run Cuban economy with as much care and foresight as the directors of many "capitalist" companies, and maybe even more.

This is not an idle boast. His point is that few private businessmen have to operate with the multiple constraints on financing and investment that Cuba faces as it tackles both recession and a tightened US economic embargo.

"We're managing the economy with tight margins, but very seriously and very carefully... we're not in a situation of plenty, but we're not bankrupt either," Mr Soberón said.

The communist government has set itself the task this year of reducing a heavy squeeze on the balance of payments caused by a widening trade deficit and an uncomfortable reliance on costly, short-term credits that has pushed Cuba's convartible currency foreign debt up to at least $11bn.

"A decision has been taken to reduce the current account deficit," Mr Soberón said.

This will involve seeking to maximise hard currency income from tourism and exports, imposing tight controls on spending and investments and waging a nationwide campaign for greater efficiency and financial discipline.

The intention is to achieve more self-sustaining growth in 1997. The government has set a gross domestic product growth target for this year of between 4 and 5 per cent, lower than the 7.8 per cent GDP increase announced for 1996. This followed reported GDP growth of 2.5 per cent in 1995.

Many foreign analysts treat official Cuban economic data with scepticism. But there is a general acceptance that the Cuban economy appears to be emerging, albeit slowly, from tbe deep recession triggered by the collapse of trade and aid ties with the former Soviet bloc.

The deep recession was triggered by the collapse of trade and aid ties with the former Soviet bloc

Cuban officials say that tbe 1997 growth was achieved in spite of the introduction of tbe US Helms-Burton law aimed at foreign investors, the onslaught of Hurricane Lili in October and worsening terms of trade.

Cuba's trade deficit widened in 1996 to $1.7bn from close to $1.3bn the previous year. Rising prices for oil and foodstuffs pushed up the island's import bill, while the prices for its main exports – sugar and nickel – declined.

This was partly compensated for by improved income from tourism, whicb earned gross revenues of $1.3bn. But the deficit on the current account was believed to have moved further into the red in 1996 after increasing in 1995 to $418m from $260m the previous year.

US officials say the Helms-Burton law has forced several foreign investors to withdraw from Cuba.

Cuban authorities claim foreign investment deals are on tha increase but there is no reliable information on investment flows.

Cuban officials concede that the US legislation has made it more difficult and expensive to obtain foreign credits, although Mr Soberón said that Cuba was slowly managing to gain access to more medium- and long-term financing.

Government leaders acknowledge the Cuban people have not yet felt the full benefits of the trend towards recovery.

Scorning official claims of falling prices, a stronger Cuban peso and improved salaries and living standards, many ordinary Cubans still complain bitterly about the hardships of daily life.

But most grudgingly admit that tha chronic food and consumer shortages and power blackouts of the early 1990s have eased.

"We fully understand that we have to raise living standards, but this has to be on the basis of reality, not fiction," Mr Soberón said.

There is also a sense of frustration both inside Cuba and abroad over the slow pace of economic change and the absence of political reform.

The initial excitement and interest generated when Cuba announced in late 1994 it was ready to open up most of its economy to foreign investment has now given way to a more sober, realistic assessment of business opportunities on the island.

Cuba's government has also set clear political limits to economic reform.

The economy minister, Mr José Luis Rodriguez, was qnoted as saying this month that economic reform was aimed at "perfecting our socialism, not transiting towards capitalism".

He saw foreign investment and private initiative as playing a supporting but always secondary role to the state.

One new area of private enterprise, the self-employed sector, appears to be showing signs of retreat rather than advance.

The number of registered self-employed workers, which reached around 208,000 at the end of 1995, is reported to have dropped to just over 167,000 following a government taxation offensive.

BT, MCI ponder demand by AT&T

British Telecommunications and its US partner MCI were at the weekend considering their response to a demand from AT&T for further liberalisation of the UK telecoms market as a precondition to their planned merger, writes Alan Cane.

AT&T, the largest US telecoms operator, said in comments to the Federal Communications Commission that the merger sbould only be approved subject to safeguards which would minimise the ability of BT to use improperly its market power to discriminata in favour of MCI and distort competition in the US.

It went on to say that safeguards alone would not be enongh to stop BT abusing its market power: "Instead, effective competition must take bold in the UK."

AT&T's comments were submitted to the FCC, the chief US communications regulatory body, last Friday as part of an investigatory process expected to last at least nine months as the FCC considers BT and MCI's application for permission to proceed with the merger.

The $20bn merger would creata ona of the world's largest and geographically best placed telecoms operators. BT already holds 20 per cent of its US partner and is seeking to acquire the rest under new US laws which permit foreign ownership of US telecoms operators where tha bome telecoms market of the acquirer is judged to be at least as open as the US.

AT&T is asking for changes to the UK market that are nnlikely to find favour with British regulators. It complains, for example, that customers of foreign operators in the UK have to dial a prefix code to have access to tbeir networks. It argues: "The lack of equal access in the UK not only deprives UK consumers of alternatives to BT, it deprives US carriers of alternative suppliers of call termination in the UK."

CREDIT

New operation to 'commercialise' oil bureaux and research institutes in attempt to revive sector

China creates third state oil company

By Tony Walker in Beijing

China has established a third national oil company in an effort to enliven a sector in which results have been disappointing.

The China National Star Petroleum Corporation (CNSPC) has been established to "commercialise" the activities of oil bureaux and research institutes under the ministry of geology and mineral resources.

The new company will compete with the China National Petroleum Corporation (CNPC) which is responsible for tapping onshore resources and the China National Offshore Oil Corporation (CNOOC). It will have registered capital of Yn3.1bn ($373m).

Mr Zhu Jiazhen, president of the new company, said that "unlike the other two national-level state-owned oil companies, the new company will develop both onshore and offshore oil and gas resources."

He also indicated that the company would focus heavily on developing gas deposits for both industry and household use. China, which suffers pollution from coal, is striving to make greater use of natural gas.

Its efforts to discover new reserves and overcome a looming oil shortage have been relatively unsuccessful. Offshore prospects have not lived up to expectations, and onshore exploration has not added significantly to reserves.

China, which produces about 145m tonnes of oil annually and has ceased being a net exporter, is expected to import about 50m tonnes annually by 2000 and 100m tonnes by 2010.

A western official in Beijing, who tracks the oil sector, said the ministry of geology and minerals had been seeking approval for the past year to establish a separate oil company, bnt opposition from existing state oil companies had delayed the process.

Mr Zhu eaid CNSPC would develop prospective areas in the East and South China Seas, in south-western Sichuan province, and in the Tarim basin in the country's far-west where the Chinese hope to make substantial discoveries.

CNSPC wants to form relationships with foreign oil companies and aimed to be a "medium-sized" international oil company in 15 years with turnover of about $1bn annually.

By 2000 the company's oil and gas output is expected to reach 4m-4.5m tonnes of oil equivalent. It also plans to develop downstream industries.

Revival of Arun dam project sought

By Peter Montagnon, Asia Editor, in London

Two heavyweight companies, Enron of the US and Tata of India, want to revive the $700m Arun dam project in Nepal from which the World Bank withdrew in 1995 after protests by environmental lobby groups.

Mr Pashupati Shumshere Rana, Nepal's water resources minister, said their interest followed last year'e water and power sharing agreement with India which has opened the door to development of Nepal's massiva 83,000 MW hydro power capability.

But the government would be seeking a wide range of bids for the Arun project before deciding the award, Mr Rana said. Tenders would be invited for other projects, too – including the 10,800 MW Karnali project, in which Enron is also interested and which is expected to cost between $6bn and $8bn.

Mr Rana said be believed the 402 MW Arun project would escape fresh environmental protest as there was popular consensus in the region in favour of it going ahead.

Part of the earlier troubla was that it had been taken up as a test case by international lobby groups.

"If yon have a very strong process of consultation with local people, you can do these things," be said.

Nepal has long weanted to develop its bydro-electric capacity, which is larger than the entire hydro-electric power output of the US, Canada and Mexico combined in the 1980s, Mr Rana said. But it has been hampered hitherto by water agreements which gave India an unequal advantage.

Since last year's agreement, an Australian company, Snowy Mountain Engineering, has received approval for a $1bn, 750 MW project at West Seti in northern Nepal.

Because the Nepalese government cannot afford these projects, they must be privately financed by the developars, Mr Rana said, although Nepal was considering a $100m fund with the World Bank to belp with provision of guarantees.

One worry is whather India's state electricity boards, most of which are beavily in tbe red, can afford to pay for Nepalese power.

Mr Rana said Snowy Mountain and Enron both claimed to have found reliable buyers in India. Enron was also considering selling power from Karnali to China through a 1,400 km cable, he said.

HK protests overshadow jail release

First meeting of provisional legislature raises prospect of legal clash, writes **John Ridding**

Hong Kong politicians and press organisations yesterday welcomed Beijing's unexpected release of a jailed Hong Kong reporter on Saturday, in what was seen as an attempt to counter fears about civil liberties after the territory returns to China.

But the act was overshadowed by protests against Beijing's plan to amend laws on buman rights and police powers and a row over tha provisional legislature, the Beijing-backed body which held its first session on Saturday in southern China.

The Hong Kong Journalists' Association described the release of Mr Xi Yang as "a positive signal to Hong Kong".

The mainland reporter, who works for a Hong Kong daily, was freed after serving three years of a 12-year sentence imposed following allegations that he acquired state secrets for an article on gold reserves and interest ratee. His imprieonment fuelled concerns about press freedom in Hong Kong after its return to Chinese sovereignty in July.

While China claimed Mr Li's release followed "signs of repentance", local pro-democracy groups pointed to political motives. "The handover factor is the most understandable explanation," said Mr Yeung Sum, vice-chairman of the Democratic party.

Saturday's meeting of tha provisional legislature, which will replace the existing Legislative Council in July, raised the prospect of a legal clash between the body and the territory's pro-democracy forces.

Mrs Rita Fan, who was alected head of the provisional legislature, and a senior Chinese official at the meeting, said the body would pass laws before the handover, bnt they would only take effect in July.

Mr Martin Lee, Democratic party leader, has said the body cannot perform any readings of bills before July and has threatened to take the provisional legislature to court. He argues that the formation of the body, and the scrapping of the existing legislature, contravene tha Basic Law, China's constitution for post-1997 Hong Kong.

Mr Zhou Nan, director of tha Naw China News Agency, Beijing'a de facto embassy in Hong Kong, pledged that the the work of the provisional body would not affect Britisb rule in Hong Kong before the handover. But he stressed: "It is impossible to say the provisional legislature can start working only after the Legislative Council is disbanded."

Rita Fan (left) meets Zhou Nan (right) at the weekend Reuter

Membere of the provisional legislature indicated tha body would hava to examine legislation on residency rights in Hong Kong and prepare legislation on subversion. The existing legislature is already working on a law in this area in an attempt to pre-empt tougher measures.

Mr Chris Patten, the Hong Kong governor, condemned the first meeting of the provisional legislature as "a bad day for Hong Kong". He also attacked proposals by a Beijing-backed committee to reduce the scope of the territory's Bill of Rights and tighten police control over demonstrations.

"One pretty obvious consequence is thet the early months of the [post-1997] government will be dominated by legal arguments and courtroom battles," he said.

Petrochemicals set for growth in Indonesia

By Manuela Saragosa in Jakarta

A consortium inclnding Thailand's Siam Cement and Japan's Nissho Iwai Corporation plans to invest in a $2.3bn petrochemical project in Indonesia, the country's first integrated olefins and aromatics facility.

It is the second plan for a large investment in Indonesia's petrochemical sector to be announced in the past few weeks. Interest has heightened because the country is believed to have buge pent-up demand for petrochemical prodncts.

Siam Cement and Nissho Iwai have agreed to construct an olefins and aromatics facility with Trans-Pacific Petrocbemical Indotama (TPPI), which will own the project. The company is controlled by Mr Hashim Djojobadikusomo, the Indonesian businessman, through two of his companies – Tirtamas Majntama and Singapore-based Trans Pacific Petrochemical.

Siam Cement and Nissho Iwai will hold 20 per cent and 10 per cent stakes respectively. Koch Industries of the US is also in talks to become a shareholder.

Mr Mihir Taparia, TPPI's finance director, said Siam Cement had decided to enter the project, scheduled to come on stream in mid-1999, because Indonesia's consumption of polyathylene and polypropylene was only 10kg per capita, compared with almost four times that in neighbouring countries.

"Our Thai partners see that Indonesia is in exactly the same position Thailand was in 10 years ago, and feel Indonesia will experienca the same kind of growth as Thailand had," Mr Taparia said.

The project will include an upstream complex manufacturing plant prodncing 700,000 tonnes of ethylene a year and 382,000 tonnes of propylene and other aromatics.

Financial agreement on the plant is expected in the third quarter of this year with BA Asia, the Hong Kong-based unit of Bank of America, acting as financial adviser. A preliminary deal to raise some $1.75bn has been signed and is expected to include BA Asia, the US Eximbank, and Japanese trading companies.

Mr Taparia said Indonesian authorities had already issued a permit for the project, the only one since the permit for the the Chandra Asri petrochemical complex, Indonesia's first olefins complex.

Chandra Asri, whicb is partly owned by Mr Bambang Trihatmodjo, President Suharto's second son, received tariff protection of 25 per cent for its two main products – propylene and ethylene – in a move criticised as contrary to Indonesia'e tariff reform programme.

Likud and Labour seek common ground

By Judy Dempsey in Jerusalem

Israel's governing Likud and opposition Labour parties yesterday unveiled proposals for a permanent settlement with the Palestinians in a rare show of unity aimed at forging a national consensus before the "final etatus" talks get underway.

The talks will deal with Israel's borders, the status of Jewish settlements in the West Bank, the fate of the 4m Palestinian refugees and the future role of Jerusalem.

The proposals follow 14 weeks of secret meetings headed by Mr Michael Eitan, head of the Likud faction in the Knesset, and Mr Yossi Beilin, candidate for the Labour party leadership and one of the architects of the Oslo peace accords.

They represent tha first attempt by Likud and Labour to find common ground over how peace with tha Palestinians can be reached.

"The proposals are a good basis for finding a national consensus," said Mr Eitan. "It is a call for permanent peace with the Palestinians," said Mr Beilin.

But they also reveal a considerable shift in outlook by both Likud and Labour over the question of how much land must be ceded for the price of peace.

Likud, or at least tha majority of its seven-member team involved in the talks, no longer believes all parts of the West Bank occupied by Israel since the 1967 Six-Day War can be held permanently.

This is a significant ideological change. Likud has long believed the West Bank to be part of Eretz Israel, the Jews' biblical bomeland.

Labour, or rather half of its six-member team, no longer argues all the West Bank, including the settlements, must be given back, agreeing with Likud that the settlers living in land not annexed by Israel in the "final status" talks will retain their Israeli citizenship and ties to Israel.

Essentially, there will be no return to tha 1967 borders. This has consequences for tha future of Jerusalem – ons of the most sensitive of tha "final status" issues.

The document states that tha Palestinians will recognise Jerusalem as the capital of Israel.

Israel will recognise the governing centre of the "Palestinian entity" which will be within the borders of the entity and outside the existing municipal borders of Jerusalem.

Mr Eitan and Mr Beilin said they did not expect the Palestinians to accept the document in its present form, particularly since the Palestinians want east Jerusalem as the capital of their future state.

Yesterday, coincidentally, the Israeli government allocated $39m to improve the infrastructure in Esat Jerusalem.

It eaid it would "strengthen Israeli sovereignty in Jerusalem" – even before the "final status" talks got underway.

Israeli police yesterday launched an investigation into allegations of high-level corruption which are putting strain on Mr Benjamin Netanyahn's seven-month-old government, Reuter reports.

Justice officials ordered the probe into the prime minister's ill-fated appointment of Mr Roni Bar-On as attorney-general days after a report on state-owned Channel One alleged the appointment was part of a political deal to win a plea bargain for Mr Aryeh Deri, a key coalition party leader on trial for corruption.

Mr Assaf Hefetz, the police commissioner, appointed a seven-member team to lead the investigation which could summon Mr Netanyahn and top officials for questioning.

"Despite the sensitivity of the investigation, the Israeli police can be trusted to conduct it quickly and fairly," said Mr Hefetz.

Channel One sparked the storm last week by alleging that Mr Bar-On, a Jerusalem lawyer was appointed attorney-general after promising to arrange a plea bargain for Mr Deri, whose 10-member Shas party is a key component in Netanyahu's coalition. Mr Bar-On resigned almost immediately after taking office earlier this month.

INTERNATIONAL NEWS DIGEST

Shanghai plans conglomerates

Shanghai is planning to establish several conglomerates which it hopes will be listed among the world'e top 500 companies as part of its programme to cement the city's reputation as an Asian financial and commercial capital.

By 2000, two or three "super large" enterprises will be set up, each with annual sales of Yn100bn ($12bn), according to a report yesterday by Xinhua, the official news agency. The city also plans to set up 15 large enterprises, each with Yn5bn of annual sales, and 10 companies with annual sales of Yn10bn to rank among China'e top 100 enterprises.

The announcement signals a reinforcement of recent practice in Shanghai, where a number of mergers in the state sector have been directed by the political priorities of the municipal government over the commercial interests of individual state-owned enterprises.

The report did not say how the businesses would be established or which sectors they would cover. Xinhua hinted at the development of giant industrial enterprises, citing Shanghai'e national leadership in the chemical, medical, machinery and electrical industries.

China'a largest city has 110 corporations each with annual sales of more than Yn500m, accounting for 65.8 per cent of the industrial sector.

Shanghai has found mergers – notably in the textile industry – a convenient way to shoulder the social burdens of loss-making state-owned enterprises by passing them on to the few successful state companies. *James Harding, Shanghai*

Pininfarina in Mitsubishi deal

Pininfarina, the Italian company which designs and produces cars for other car manufacturers, is expected this week to sign an agreement with Mitsubishi to produce and market a new sports utility vehicle in Europe.

The deal is expected to involve production in Italy of up to 35,000 vehicles a year with sales of the new four wheel drive model starting in 1999.

It marks a further strengthening of the links between the Italian company and the Japanese car industry. Pininfarina has worked on car designs for Honda for more than 15 years.

The new Mitsubishi vehicle will be produced either at Pininfarina's existing plants in the Turin region or could involve building a new facility. The engine to power the new sports utility will come from Japan but several components will be supplied by European subcontractors. Pininfarina will have overall responsibility for the production and assembly of the car.

The venture not only reflects the growth in popularity and demand for four wheel drive sports utility vehicles in Europe, but is also regarded as a boost for the Italian car sector, which has not attracted productive inward investment from non-European manufacturers for several years.

Pininfarina produced 24,000 cars last year and output should rise to around 34,000 vehicles this year as a result of production of the new Peugeot 406 coupe as well as the Peugeot 306 convertible, the Fiat coupe, the Lancia K station wagon and the Bentley Azure.

The group's turnover totalled around L800bn ($519m) last year and is expected to rise to about L1000bn this year. *Paul Betts, Milan*

Singapore elections pledge

Mr Goh Chok Tong, Singapore's prime minister, said he does not intend to call the island state's next elections until he has served out his full term in mid-2002.

Mr Goh, who led the ruling People's Action party to victory in national elections on January 2, has the right to call elections before completing his term. Since he succeeded Mr Lee Kuan Yew, the former prime minister and founding father of Singapore, in 1990 there has been speculation that Mr Goh might be a transitionary figure who would make way for Mr Lee Hsien Loong, the deputy prime minister and son of Mr Lee Kuan Yew. Such speculation is now discredited.

The PAP won 81 out of 83 seats in parliament in the election. Since then an opposition politician has agreed to take up one more seat in the house, swelling the opposition ranks to three.

Mr Goh was speaking at a ceremony to swear in his new cabinet after a reshuffle which moved existing ministers into new portfolios but did not bring in any new blood. *James Kynge, Singapore*

Kim in donations denial

Mr Kim Young-sam, the South Korean president, yesterday denied that he had accepted any political donations since coming to office in 1993.

His denial came as the bankruptcy of the Hanbo steel and construction group raised new allegations about illegal corporate contributions to the ruling party.

Opposition parties claimed that Hanbo may have paid members of the ruling New Korea party and government officials to exert pressure on banks to provide loans for a Won5,700bn ($6.7bn) steel mill being built by the industrial group. Hanbo declared bankruptcy last week after the banks cut off lending to the conglomerate, which had received Won5,000bn in loans for the troubled steel project.

Mr Kim, who has conducted an anti-corruption campaign while in office, has been dogged by allegations concerning the financing of his presidential election in 1992.

Prosecutors said they would investigate how Hanbo managed to acquire large bank loans in the absence of sufficient collateral and despite its weak financial condition. Opposition parties, however, questioned the impartiality of any official probe. *John Burton, Seoul*

UN warns on use of world's resources

By Leyla Boulton, Environment Correspondent

The world is consuming natural resources faster than they can be renewed and still lacks "the necessary sense of urgency" to pull the planet away from an "environmental precipice", a UN report warns today.

The United Nations Environment Programme (Unep) says that poverty, population growth and inefficient resource use, as well as wastaful consumption in ricb countriee, are all "equally" factors in the world's unsustainable development.

In its first Global Environmental Outlook report, Unep, the UN's environmental arm, calls for cost-benefit analyses to be conducted in four areas requiring "immediate, enhanced, and concerted action by the international community".

The aim of such analyses would be to identify value-for-money programmes to promote "drastic changes" in energy nse; disseminate environmentally sound technologies; tackle water shortages; and improve environmantal data to aid decision-making.

A projected doubling of the world population by the middle of the next century, with 95 per cent of the increase expected in developing countries, means the world can no longer afford fossil fuel consumption which increases exponentially with economic growth.

Unep says that "alternative energy sources need to be vigorously pursued" and energy efficiency "greatly improved" in order to prevent economic growth powered mainly by fossil fuels which grossly exacerbate air pollution and climate change.

It even suggests declaring "an energy decade, or even decades, until such time as energy sustainability is reached".

Technological progress would mean that the total land area used for agriculture by the middle of the next century would increase by only 42 per cent while the population doubled. But Unep said the bad news was that Africa and other parts of the world would become more dependent on food imports while ecosystems in North America and Europe would suffer increased pressure from farming for exports.

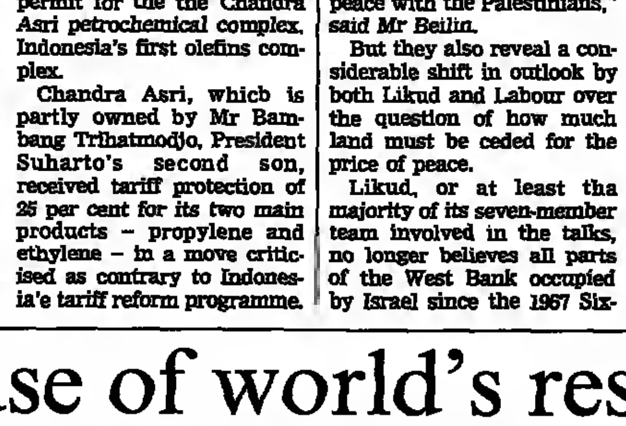
Assuming what it called "conventional development" over the same period, the number of people who would face severe water shortages would almost double from 1.5bn in 1990 to 2.8bn in 2050.

But Unep said that great progress could be made in halting "negative environmental trends" if the world were to spend two to three per cent of gross domestic product on environmental education and protection.

Given poverty was still an obstacle to embracing higher environmental standards, another prerequisite for reversing environmental degradation was for industrialised countries to live up to pledges at the 1992 Rio Earth Summit to raise development aid to the equivalent of 0.7 per cent of GDP.

The report's publication is timed to coincide with discussions by governments meeting in Nairobi about how Unep itself could do a better job in setting the world's environmental agenda. It has been criticised for lack of focus and leadership.

Gas emissions: cause for concern



Source: Unep * No reliable or historical data are available for nitrogen oxide emissions

Museveni seeks help for rebels in southern Sudan

By Quentin Peel in London

President Yoweri Mussveni of Uganda has called for the civil war in neighbouring Sudan to be declared a colonial conflict by the Organisation of African Unity.

Such a move would allow other countries in Africa to provide arms, equipment and material supplies to the rebel forces fighting against the Sudanese government forces in southern Sudan. It would, however, be the first time an independent African regime had been accused of colonial behaviour towards its own inhabitants.

Mr Museveni, a former guerrilla commander who has become one of Africa's most influential leaders, called for the drastic action in an interview with the Financial Times, as Sudan announced a new operation against rebel forces close to the Ugandan border.

The radical Islamic regime in Khartoum is facing its greatest threat yet in the 13-year civil war, following an alliance batween tha southern-based Sudan Peopla's Libaration Army (SPLA) and the northern National Democratic Alliance, operating from neighbouring Eritrea. The rebels have claimed a series of victories over government forces in both the south and east of the country.

Mr Museveni admitted he gives moral support to the SPLA, whose leader Mr John Garang was a fellow student at Dar es Salaam university in the 1960s, but OAU rules of non-interference prevent him from giving material assistance.

"Until the OAU defines the sonth Sndan as a colonial qnestion we are inhibited from supporting them," he said.

He accused the Arab-dominated Sudanese government of seeking to force the black Christian population of the south to convert to Islam and speak Arabic.

President Omar Hassan al-Bashir, Sudanese leader, was pursuing a policy of enforced assimilation, he said. "If it goes on like this, I think (the OAU) should declare the south Sudanese people a colonised people," he added.

The Ugandan government has accused Sudan of supporting dissident groups in northern Uganda. Mr Museveni spent three months last year reorganising the military campaign against them.

Seeds of stability, Page 16

NEWS: UK

Renault recruiting up to 40 car parts makers

By Richard Wolffe and David Owen

More than 40 UK car parts companies are set to become suppliers to Renault in a fast-track recruitment programme by the French carmaker which represents a significant vote of confidence in the UK components industry.

Renault is one of a several big French manufacturers – others being carmaker Peugeot-Citroën and rail company SNCF – which are searching for UK suppliers in an effort to drive down costs.

They were reluctant to talk in detail abont the move because of the political sensitivity of being seen to shift sourcing from France to the UK, where costs are significantly lower.

Renault, whose purchasing division has an annual components budget of FFr60bn ($10.93bn), said the recruitment of UK companies was part of a search for competitive suppliers in various countries.

The fast-track programme has reduced the timetable for becoming a Renault supplier from five to two years. Renault is beginning a further search for suppliers in September, while Peugeot begins its programme in March.

Purchasing managers from Renault, working through the Birmingham Chamber of Commerce, have spent two years negotiating with components companies to win supplier status. About 16 companies have already won supplier status, with a further 25 preparing to travel to Renault's Douai plant for advanced talks.

One Leicester-based components company, Dunlop Antomotive Hose, is in advanced talks with Renault over commercial terms following the two-year programme.

Mr Stewart Lyle, business development manager, said: "We went with a delegation of 20 companies to present our products and services to Renault last year. They said they were looking for UK-based suppliers for a number of reasons, not least because of their global strategy to reduce their cost base.

"Now it is a question of getting to know Renault's overall requirements, which we are able to do by working closely with their purchasing managers and engineers."

Mr Tony Gething, head of international services at Birmingham chamber, said: "Renault used to have a very hostile policy towards the UK automotive industry, but it decided to abandon its closed-door approach two years ago. Peugeot-Citroën was considered to be even worse.

"Many senior managers at Renault based their view of the UK car industry on the early to mid-1970s and had not been back since.

"Now it has told us that they are looking for at least 30 companies to act as suppliers."

However, some smaller suppliers warned that the recent rise in the value of sterling is threatening their ability to win contracts with Renault.

Accountants may go it alone on global issues

By Jim Kelly, Accountancy Correspondent

The UK is preparing to stand aside from a growing consensus in favour of the international harmonisation of accounting standards on a handful of critical issnes where it believes the emerging global code is wrong.

Sir David Tweedie, chairman of the Accounting Standards Board, is understood to have recently met business leaders in London to outline the UK's growing dilemma as its own accounting code gets out of step with the global one.

It seems increasingly likely that the industry will back a policy under which tha ASB can take an independent line when it feels a global standard clashes with UK law or where it feels it is fundamentally wrong.

The continuing success of the International Accounting Standards Committee has left the UK isolated on a number of subjects.

In the ASB's annual progress report published today Sir David said such a policy was the board's "initial preference".

Sir David, and leading anditors, believe that the credibility of UK accounts could be undermined if the UK takes an independent approach to too many issues. As a result the UK may take its own line on accounting for deferred tax and pensions which can have a big impact on companies' reported performance.

The UK is already out of line on deferred tax, with its "partial provision method" resulting in companies providing for tax only to the extent that they expect the liability to be paid in the foreseeable future.

Currant UK practice allows companies to value pension funds hy taking the long-term view – known as the actuarial approach. Meanwhile the international consensus is that companies should use the current market value.

There are also big differences over accounting for goodwill – although in this case there are signs, according to tha ASB, that the international consensus is coming round to the UK's current proposals for reform.

The ASB is unlikely to allow UK practice to diverge from the international consensus on these issues in the long term. It may well seek reforms in the hope that eventually it will be able to set the international agenda.

The ASB's approach is unlikely to affect the planned agreement between the International Accounting Standards Committee and IOSCO – the world's leading stock market regulators.

N Ireland seeks to avoid summer unrest

By John Murray Brown

The prospect of another summer of sectarian unrest looms over Northern Ireland as the province awaits the publication next week of an independant report hy Dr Peter North, vice-chancellor of Oxford University, on the handling of dispnted marches.

Tentative steps are being made to find a compromise ahead of a planned march by Orange Order unionists at Drumcree on July 6. Last year's march was the scene of clashes which triggered riots and soured hopes of agreement at the province's multi-party peace talks.

As the parties prepared for today's reconvening of the talks, the first plenary session since Christmas, the Ulster Unionists, the largest pro-British party in Northern Ireland, indicated opposition to any nationalist veto on marching routes if, as expected, the report recommends a cross-community adjudication tribunal.

Under article 6 of the 1985 Anglo-Irish Agreement, the Irish government is entitled to nominate candidates to public bodies. Senior Irish officials said Dublin would be unlikely to press for candidates against unionist opposition. Dr North's recommendations, however, are unlikely to be in place before the Drumcree march.

Drumcree is seen by both sides in Northern Ireland as a metaphor for the wider divisions between Catholics and Protestants. The hope is that the two sides can find an accommodation. But UK officials are worried that hardliners on both sides may be tempted to raise the stakes.

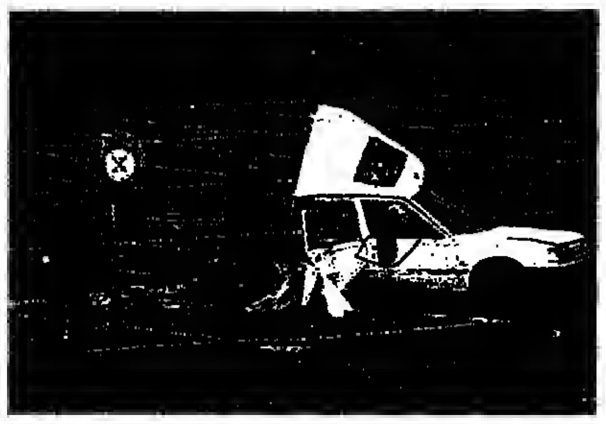
Sir Patrick Mayhew, the Northern Ireland secretary, this week initiated the first of what are likely to be increasingly intense contacts with both sides, meeting Mr Brendan McKenna, the former republican prisoner who is head of the Garvaghy Road residents association, and Mr John Hume, leader of the moderate nationalist Social Damocratic and Labour party.

The Orange Lodge in Portadown, near Drumcree, is refusing to meet the residents group, ostensibly because of Mr McKenna's republican links. But in a further sign of the difficulties ahead, the order said it would not talk with two Jesuit priests acting as mediators in the dispute.

The police are painfully aware of the damage to their public standing, which resulted from last year's reversal of a decision to block the march. Another unpopular policing operation could ancourage further calls for RUC reform.

Mr Ronnie Flanagan, chief constable of the Royal Ulster Constabulary, will play a key role. His divisional commanders have already made contact with local groups.

● Mr Martin McGuinness, Sinn Féin's chief negotiator, said on LWT television yesterday that the Northarn Ireland peace process could not move forward until after the general election. He refused to call for a renewed IRA ceasefire.



Paul McErlane

A soldier was slightly injured yesterday when a car bomb exploded in a car park at Ballynahinch, County Down

Subsidies criticised by environment body

By Leyla Boulton, Environment Correspondent

The UK government will today be urged in a hard-hitting report by its own advisers to review up to £20bn in environmentally harmful "subsidies" and to vet every item in the annual Budget for its environmental consequences.

The Panel on Sustainable Development, set up by Mr John Major, the prime minister, after the 1992 "Earth Summit" in Rio de Janeiro, says Britain has been slow to develop renewabla energy sources, which it believes are essential to help combat climate change.

The report welcomes calls by Mr John Gummer, the environment secretary, for the world to agree 5-10 per cent cuts in greenhouse gas emissions after the year 2000. But it says the government needs to meet such targets at bome.

It warns that the lowering of prices expected from the liberalisation of energy markets planned for 1998 could exacerbate climate changa. "The relative short-termism of competitive markets means that market forces alone will not lead to the development of renewables on the necessary scale," says the report.

It also faults government procurement policy for failing to take environmental considerations into account in a systematic way.

The five-member panel, chaired by Sir Crispin Tickell, a former ambassador to the United Nations, and including Lord Alexander, the chairman of National Westminster banking group, sees itself as an "environmental watchdog" on government policy.

The panel defines subsidies to include any tax arrangement which fails to make the price of goods and services reflect the cost of their damage to the environment. It says these could be worth up to £20bn a year.

Direct handouts from central and local government amount to £7.3bn a year. But it says a number of hidden subsidies, for instance in tax exemptions, and procurement policies which focus on value for money without regard for the environment, are equally "perverse".

The panel calls for the creation of a government task force to draw up aims and principles of subsidies particularly in the area of energy and transport, as even some subsidies designed to help the environment have had the opposite effect.

Businesses not ready for law on recycling

By Leyla Boulton and Tim Burt

Nearly 70 per cent of senior managers in Britain are not aware of an imminent law requiring industry to pay for the recovery or recycling of half the packaging waste it puts into circulation, according to a study.

Of tha companies which believe they will be affected by the legislation, inspired by a European Union directive, 87 per cent have not yet decided how they will comply with it.

The findings are contained in market research commissioned by Valpak, a UK company set up to help businesses comply with the law.

Valpak estimates that in half the companies likely to be affected, the issue has not yet reached senior management level. "Senior management are going to have to take decisions about how to manage this issue and they're not yet aware of its immediacy and potential financial impact on their businesses," said Mr John Bell, head of Valpak.

The legislation is expected to ha submitted to parliament within the next two weeks and passed shortly after. Companies will then have six months to register with a scheme to recycle a proportion of packaging on their behalf, unless they plan to do it themselves.

The legislation will set a legally-binding 1998 deadline for UK companies to achieve interim recovery targets which are not required by the EU directive. The deadlina for tha recovery – rather than landfilling – of 50 per cent of packaging waste (with at least 25 per cent recycled) is 2001.

The legislation affects any company which puts into circulation more than 50 tonnes of packaging a year.

Supermarket chains and other retailers handling large volumes of pre-packaged goods will be among companies with the biggest exposure.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Britannia Bldg Scty FRN 2005 £17195.77
BSS 6.5p
Daiwa O'seas Fin Gtd Fxd/FRN 2004 $3183.82
Dunedin Smaller Co's Inv Tst 6p
Fin Rcvbls for Sected Trans No 2 Mezz Asset-Bckd FRN 2005 £2072.43
Do Snr Asset-Bckd FRN 2005 £864.79
Do No 3 Mezz Asset-Bckd FRN 2016 £1885.45
Do Snr Asset-Bckd FRN 2018 £1081.97
Fisons 7½% Bd 1999 £75.0
General Electric $0.52
Glaxo Wellcome 6⅝% Nts 2006 $81.25
Hydro-Quebec 10⅞% Do Ser HW Jul 2001 C$54.375
Do FRN Ser FY Jul 2002 $289.03
Italy Global FRN Jul 1999 $14.14
Do Global FRN Jul 1999 Y1422.0
Kalamazoo Computer 1.2p
McLeod Russel 3.85p
Mitsui Fxd/FRN 1997 Y9479.0
Mitsui Toatsu Chems 3½% Bd 2001 Y3500000.0
Molex $0.015
Do Class A $0.015
MY Hldgs 1.7p
Norway 8⅜% Nts 2003 C$83.75
Premier Farnell Cv Pf $0.675
Do (£ coupon) 44.8p
Seals (No 12) Var Coupon Amtd Sec Nts 1999 Y5781.0
Spintab AB FRN 1996 $14.81
Texas Instruments $0.17
Tokyo-Mitsubishi 7½% Sb Nts 2002 $375000.0
Wainhomes 1.5p
Whitecroft 1.75p
Do 5.1% Cm Pf 2.55p

■ TOMORROW

Australia (Commonwealth) 13½% Ln 2010 £6.75
British Energy 4.8p
Canadian Imperial Bank of Commerce C$0.50
Canadian Pacific C$0.12
Carr's Milling Inds 8p
Co-operative Bank Sb FRN 2000 £77.98
Daiwa Oseas Fin Gtd Amtd Cap FRN 2004 $15413.19
Honda Motor 5.9% Bd 1997 Y590000.0
Do 6% Bd 1999 Y600000.0
Lloyds Bank Ser A Var Rate Sb Nts 1998 £156.16
Neopsend 0.6p
Neil Clark 4p
Rolfe & Nolan 1.7p
Shelton (Martin) 1.25p
Tesco 10⅜% Bd 2002 £103.75
Toyobo FRN Apr 1998 Y19805.0
Treasury 8½% Ln 2000 £4.25

■ WEDNESDAY JANUARY 29

Abbey National Sterling Cap 10⅜% Sb Gtd Bd 2002 £1037.50
Asset Mngmnt Inv 0.7413p
Bank of Montreal Flg Rate Do Ser 10 1998 $302.83
Bank of Nova Scotia C$0.37
BOC 7% Gtd Bd 1997 $350.0
Do 5⅞% Nts 2001 $58.75
Channel Islands Comms 1.5p
Ensor 0.2p
Ireland Res Secd Home Mortgages (No 1) Class A2 Mtg Bckd FRN 2025 IR£1492.89
Do Class B IR£1571.02
Leeds 4.4p
London Merchant Sec 0.8p
Raphael Zorn Hemsley 2p
Robus 0.6p
Trifast 3.33p

■ THURSDAY JANUARY 30

Babcock Int 0.625p
Central Hispano Fin Gtd Sb Step-up FRN 2005 $15.41
Dow Chemical $0.75
Expro Int 2.65p
Framlington Dual Tst 1.75p
Hornby 2p
Leigh Interests 1.23p
M & G 20p
Nationwide Bldg Scty 3⅞% IL Ln 2021 £3.0884
Scottish Radio 5.3p

■ FRIDAY JANUARY 31

Abacus Polar 3.67p
Abbey National Treasury Svs 5% Gtd Nts 1997 $50
Abtrust Preferred Inc Inv Tst 3.25p
Airflow Streamlines 10% Cm Pf 5p
Allen 2.8p
Allied Irish Banks Non-Cm Pf $0.586328
Do Sb Prim Cap Perp FRN $154.93
Azlan 1.3p
Bankers Tst Int Step-Down Coupon Nts Jan 30 2001 £20.05
Britannia Bldg Scty 13% Perm Int £65
British Petroleum 8% (5.6% net) Cm 1st Pf 2.8p
Do 9% (6.3% net) Cm 2nd Pf 3.15p
Canadian Imperial Bank of Commerce Debs FR 2084 $313.06
Capital Radio 6.5p
Chloride 0.18p
Do 6% (4.2% net) Cm Pf 2.1p
Cranswick 3p
Dartmoor Inv Tst 3p
Derwent Valley 10⅛% 1st Mort Deb 2019 £5.0625
Dewhirst 9.75% Cm Pf 4.875p
Dbams 5p (net) Cv Cm Rd Pf 2.5p
Dunyat Inv Tst Cv Mnthly Div 0.49p
Dunedin Inc Growth Inv Tst 11.5% Deb 2016 £5.75
Dunedin Worldwide Inv Tst 9.1p
Elliot (B) 1.2p
English & Scottish Investors 8.25% Deb 2023 £4.125
Do 11% Deb 2014 £5.50
Formscan (A.I.M.) 2.25p
Global Stock Inv Partg Pf Dollar Cash Portfolio $0.1122
Do Part Pf Global High Inc Portfolio 10.81p
Granada 7.5p (net) Cv Pf 3.75p
Grand Metropolitan 6.5% Cv Nts 2000 $325
Haslemere Estates 10.5% 1st Mort Deb 2016 £5.25
Hemingway Prop 7.5% Cv Unsec Ln 2027 £3.75
Henderson Strata Invs 1.4p
Hill Hire 1.33p
Homeloans (No.1) Class A Mort Bckd FRN 2030 £135.26
Do Mezz Mort Bckd FRN 2030 £178.49
Homeloans (No.3) Class A1 Mort Bckd FRN 2028 £159.42
Do Class A2 Mort Bckd FRN 2028 £161.43
Do Class B Mort Bckd FRN 2028 £166.90
Do Class C Mort Bckd FRN 2028 £178.61
Hopkinsons 5.25% Cm Pf 2.625p
Hyder 7.875% Cm Rd Pf 3.9375p
Iceland (Republic of) 14.5% Ln 2016 £7.25
Italy (Republic of) FRN 1997 $297.56
Ivory & Sime 2.85p
Japan Dev Bank 9.125% Gtd Bds 2005 £91.25
Jasmin Cv Unsec Ln 87.8452p
Jupiter Split Tst 3.52p
Do Package Units 61.54p
Land Securities 10% 1st Mort Do 2030 £5
Do 9⅜% Dv Bds 2004 £234.375
Leeds & Holbeck Bldg Scty 13⅜% Perm Interest SHS £66.875
Liberty 6% (4.2% net) Cm Pf 2.1p
Do 9.5% Cm Pf 4.75p
London Clubs Int 2.625p
London Electricity 14.3p
London Insurance Mkts Inv Tst 1.75p
Lowe's Cos Inc $0.055
Lynton 10.25% 1st Mort Deb 2017 £5.125
Malaysia 10¾% Ln Stk 2009 £5.375
McKechnie 6% (4.2% net) Cm Pf 2.1p
Merrill Lynch Europe Variable Rt 5p
Pay-in-Kind Cv Exble Securities £45
Morland 9.16p
National Australia Bank FRN 1997 $314.65
NatWest Bank Variable Rt Cap Nts 2000 $1453.47
New City and Commercial Inv Tst Retail Price Ind-Lnkd 2008 £2.777
Northern Counties Housing Assoc 9⅛% Gtd Sec 2025 £4.5625
Peabody Donation Fund 10.25% 1st Mort Deb 2019 £5.125
Pressac 10.5% Cm Pf 5.25p
Prestwick 7½% Cv Cm Rd Pf 3.625p
Ptarmigan Int Cap Tst 3¾% Sb Cv Bds 2009 £81.25
Ragby Gtd FRN Oct 31 1997 $5009.79
Rank Group (The) Cv Cm Rd Pf 4.125p
Residential Property Securities Class A1 Mort Bckd FRN 2023 £763.86
Do Class A2 Mort Bckd FRN 2023 £1639.93
Do Class A3 Mort Bckd FRN 2023 £1583.21
Royal Bank of Canada Floating Rt Debs 2005 $46.51
Schroder Inc & Growth Fund 1.05p
Schroder UK Growth Fund 1.5p
Scottish Eastern Inv Tst 8.5% Deb Stk 2024 £4.25
Do 9¾% Deb Stk 2020 £4.875
Do 12⅜% Deb Stk 2013 £6.1875
Scottish & Newcastle 7% Cv Cm Pf 3.5p
Sears 7¼% Unsec Ln 1992/97 £3.625
SEC 2.75p
Seton Healthcare 2.7p
Shell 7% (4.9% net) Cm 2nd Pf 2.45p
Shires Income 4.2p
Skipton Bldg Scty 12⅞% Perm Interest SHS £64.375
Smith & Nephew 5.5% (3.85% net) Cm Pf 1.925p
Spintab Und Sb Step-Up FRN $166.91
S&U 31.5% Cm Pf 1.96875p
Sutton Harbour 1.2p
Temple Bar Inv Tst 7% (4.9% net) Cm Pf 2.45p
Tesco Unsec Deep Disc Ln 2006 £2
TGI 1.15p
3i Group 3.5p
Throgmorton Tst 2.8275p
Tinsley Robor 0.9p
TMC PIMBS First Financing Class Nts Issue 2 July 2029 £182.86
TMC PIMBS Fourth Financing Class Nts Issue 5 April 2029 £53.14
TMC PIMBS Sixth Financing Class Nts Issue 7 Jan 2029 £42.87
Torchmark $0.29
Tor Inv Tst 11p
Toronto-Dominion Bank $0.28
Transamerica $0.50
Transport Development 12.5% Unsec Ln 2008 £6.25
TR City of London Tst 8.5% Deb 2021 £4.25
TR High Income Tst 1.6p
Trinity Holdings 2.8p
University of Lancaster (The) 9¾% First Mort Deb 2025 £2.4375
USF&G $0.05
Vendome Luxury 3.62p
Victrex 3p
Wace 8% Cv Pf 4p
Waterford Foods 7.8% Cm Rd Pf IR3.95p
Do 9% Cm Rd Pf IR4.5p
Do 9.9% Cm Rd Pf IR4.95p
Weeks Group 0.04p
Wells Fargo Sb FRN 2000 $50.05
Whitbread 11⅝% Deb 2001 £5.8125
Widney 7% (4.9% net) Cm Pf 2.45p
Wilshaw 0.3p
Wolseley 7.25p
Wolverhampton & Dudley Breweries 11p
Woolwich Bldg Scty FRN 1998 £160.84
Young (H) 2.9p

■ SATURDAY FEBRUARY 1

Allied London Prop 10% Cm Pf 5p
American Tst 5% Cm Pf £1.75
Ameritech $0.565
AT & T $0.33
CALA 4% Cm Pf 1.4p
Consolidated 4% Ln £2.0
Dalgety 4.85% Cm Pf 2.425p
Fleming Mercantile Inv Tst 7.9p
Do 2.8% Cm Pf 1.4p
Do 3.5% Cm Pf 1.75p
Govett Strategic Inv Tst 5% Cm Pf 1.75p
Jenners Princes Street Edinburgh 10% Cm Pf 5p
Law Debenture 3.85% Cm Pf 1.925p
Lewis (John) 5% Cm 1st Pf 1.75p
Do 7% Cm Pf 2.45p
Lincoln National $0.49
Manchester 3% 1891 Rd £1.50
Northumbrian Water 4¼% Rd Db 2012 £2.128
Do 5¼% Rd Db 2012 £2.625
Do 12% Rd Db 2004 £6.0
Nynex $0.59
Quebec Central Railway 1st Mtg 4% Db £2.0
Witan Inv 2.7% Cm Pf 1.35p

UK COMPANIES

■ TODAY

BOARD MEETINGS:
Finals:
Derby Tst
London Scottish Bank
Prime People
Interims:
Corporate Executive
Fibronic Comtek
Haynes Publishing
Wyko Group

■ TOMORROW

COMPANY MEETINGS:
Asset Management Inv Co, 32, Ludgate Hill, E.C., 12.00
Berisford, Radisson SAS Portman Hotel, 22, Portman Square, W., 12.00
Jennings Brothers, Bridge Inn, Santon Bridge, Cumbria, 11.30
Wolverhampton & Dudley Breweries, Wolverhampton Football Club, Molineux Ground, Waterloo Road, Wolverhampton, 12.00
BOARD MEETINGS:
Finals:
Domino Printing
Microvem Hldgs
Interims:
Caledon & Fowler Group
Menvier-Swain Group
Stewart Zigomala

■ WEDNESDAY JANUARY 29

COMPANY MEETINGS:
Bibby (J) & Sons, Merchant Taylors' Hall, 30, Threadneedle Street, E.C., 11.30
Blick, Blick House, Bramble Road, Swindon, 12.00
Capital Radio, Capital Radio Cafe, 30, Leicester Square, W.C., 11.00
Chrysalis Group, Kensington Hilton Hotel, 179-199, Holland Park Avenue, W., 11.00
Edinburgh New Tiger Tst, Donaldson House, 97, Haymarket Terrace, Edinburgh, 12.00
Granada Group, The Brewery, Chiswell Street, E.C., 11.00
M & G Group, Painters' Hall, Little Trinity Lane, E.C., 12.00
BOARD MEETINGS:
Interims:
Bealee Hunter
Eurodis Electron
Murray Inc Tst
Rubicon Group
Smith (W.H.)

■ THURSDAY JANUARY 30

COMPANY MEETINGS:
Barlows, Lister House, Lister Road, Wellingborough, Northants, 10.30
Caledonian Tst, 61, North Castle Street, Edinburgh, 12.30
Dunedin Worldwide Inv Tst, Discovery Point, Dundee, 12.00
Formscan, Mendip Lodge Hotel, Frome, Somerset, 11.00
Gartland Whalley & Barker, Crossley House, Bell View Park, Hopwood Lane, Halifax, 11.30
Murray Enterprise, 7, West Nile Street, Glasgow, 11.15
Ransomes, Ransomes Way, Ipswich, 12.00
SCI Entertainment, 62, Threadneedle Street, E.C., 12.00
Scottish Inv Tst, 6, Albyn Place, Edinburgh, 11.00
Scottish Radio, Clydebank Business Park, Clydebank, Glasgow, 12.00
Sheriff Hldgs, Nottinghamshire County Cricket Club, Hound Road, Nottingham, 10.30
Slimma, Ashbourne Lodge Hotel, Derby Road, Ashbourne, Derbyshire, 12.00
Tate & Lyle, Barbican Hall, Barbican Centre, E.C., 11.30
Western Selection, Honourable Artillery Company, Armoury House, City Road, E.C., 12.00
BOARD MEETINGS:
Finals:
Murray Int Tst
Witan Inv
Interims:
Beily (C.H.)
Cassidy Brothers
Channel Hldgs
F.I. Group
Peel Hldgs

■ FRIDAY JANUARY 31

COMPANY MEETINGS:
Compass Group, Institute of Directors, 116, Pall Mall, S.W., 3.00
Frederick Cooper, Park Hall Hotel, Park Drive, Goldthorn Park, Wolverhampton, 12.00
Phytopharm, 12 Appold Street, E.C., 2.00
BOARD MEETINGS:
Finals:
Seale
Fitness First
Partridge Fine Art
Interims:
Photo-Me Int

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of interim announcements.

THIS WEEK

Lobbyists in search of a fast Ecu

DATELINE

Brussels: Today's launch of the European Policy Centre shows how the city is now a magnet for think-tanks, writes **Lionel Barber**

Anyone who is anybody in Brussels knows that Val-Duchesse is tha most exclusive venue at which to throw a party. Philippe de Schoutheete de Tervarent, Belgium'e European Union ambassador and the doyen of the diplomatic corps, holds an annual bash at the château. Last week it was time to say farewell to Yasukuni Enoki, a rising star in the Japanese foreign ministry.

Today, Val-Duchesse plays host to the launch of the European Policy Centre, a venture which shows how Brussels, like Washington, is fast becoming a magnet for think-tanks, public policy units and lobbyists in search of a fast Ecu.

The man behind the policy centre is Stanley Crossick, a familiar face around town. His story shows the power of the European idea, but it also serves as a reminder of how a privileged few, ironically often British, have made a comfortable life out of pro-European convictions.

Crossick, 61, arrived in Brussels nearly 20 years ago to set up a law practice with an Italian friend called Biamonte. Belmont, the Anglicised derivative, soon became known as a savvy legal practice, skilled in offering clients up-to-date knowledge about the passage of EU legislation.

In those days, as Crossick says, the amateurs were still running the show at the European Commission. But once Jacques Delors arrived and the 1992 single market project took off, business's appetite for Euro-information increased dramatically. Belmont boomed. By the late 1980s, Crossick was employing nearly 50 people in an operation which was a mix of law and lobbying.

A venture with Coopers & Lybrand followed, but within two years Crossick had sold his ehares. His partners, David Edward, now a judge on the European Court of Justice, and *Nicholas Forward, QC at Brick* Court Chambers, hed already left because of conflict of interest.

Crossick, however, was shrewd enough to sign a contract with Coopers which allowed him to keep the Belmont name and therefore hold on to old clients. Having made a tidy sum selling his business, he was soon making more money through clients such as Mars, Exxon, Mitsubishi and Marks and Spencer. During the Maastricht treaty negotiations, he was charging clients Ecu25,000 *(£18,300) for an "intelligence* service" on the state of the talks.

These sums allowed him to subsidise whet he describes as *his real passion:* public policy-making in the context of European integration through a eeparate vehicle known as the Belmont European Policy Centre.

But Belmont's name suggested the policy centre was a hostage to business interests. So Crossick has dropped the first word. Now be is focused on two tasks: delivering the "big idea" to policy-makers and reversing the nationalist trend in European politics.

Crossick'e father fled from White Russia to England at the turn of the *century and the son* says he has never lost sight of nationalism as a malign force to history. The trouble is that this message no longer resonates: the *old post-1945 consensus on* Europe has broken down.

Crossick says the EPC'e mission is to rebuild the pro-European consensus by mobilising business, unions and non-governmental organisations in favour of three goals: more efficient EU law-making, monetary union, and EU enlargement, taking in the former communist countries of central and eastern Europe.

Croseick'e partnere include Max Kohnstamm, a Dutchman and former collaborator of Jean Monnet, the father of European integration; and John Palmer, who is retiring after a long career as Brussels correspondent of the Guardian. Despite friendly over-*tures, he will not be able to call* upon the support of Peter Ludlow, the 57-year-old head of the Centre for European Policy Studies, the premier think-tank in town.

Crossick and Ludlow have little in common. While Crossick is cheery and calculating, Ludlow is aloof and cerebral. Crossick can read a balance sheet, Ludlow is notorious for leaving the donkey work to lackeys. Hence the periodic financial crises which have afflicted Ceps since its creation more than 15 years ago.

Two years ago, Ceps almost went under. But thanks to smart footwork and tighter financial management, the future seems eecure. *Ludlow points* to an annual turnover of $6m (£3.5m), which includes a special Ecu250,000 annual contribution from the EU budget, and important consultancies in *central and* eastern Europe, courtesy of the Phare and Tacis aid programmes. Life, he says, can be exceedingly agreeable.

If there is a cloud on the Brussels skyline for Ceps, it is this week's launch of the EPC. Ludlow insists the EPC cannot hope to match the quality of work which he prodnces along with Daniel Gros, his monetary guru, and others. Ceps' board of advisers is much more broadly based and contains many bigger names, he says. But be agrees Crossick could be competing in the same limited EU funding pool.

Some may argue it would make sense for Ceps and the EPC to merge, to put Ludlow's brains with Crossick's financial brawn, eliminating competition at a stroke. But Ludlow disagrees: "A merger? Out of the question."

The Monday Profile: Robert Smith, MGAM

Scot whose fuse was lit

It wae typical of Robert Smith, the chief executive of Morgan Grenfell Asset Management, that he offered Nicola Horlick his hand to shake two weeks ago to cement the offer to become his deputy. It was also typical that he withdrew his goodwill abruptly when told she had been in talks to take a team of colleagues to another bank.

Smith, a 52-year-old Scottish chartered accountant, was brought into MGAM to sort out the mess left by the Peter Young affair. Now he is in the limelight as the man who precipitated Horlick'e explosion into the headlines. Some have wondered if he was incantious in euspending her, given the disruption it was bound to cause.

"Robert is generally very good-tempered, but everyone has a fuse," says Norman Murray, his deputy for many years in the development capital arm of Royal Bank of Scotland, and successor in October as head of Morgan Grenfell Development Capital. "Doing anything that makes him mistrust you is not the right way to deal with him."

Smith arrived at MGAM after the discovery in September thet Young had been pumping cash through a web of Luxembourg holding companies into technology shares. Keith Percy, MGAM'e respected chief executive and a mentor of Horlick, was dismissed along with four other managers.

Smith had already played a role in the investigation, and was felt by Deutsche Bank, the parent of Deutsche Morgan Grenfell, to combine the qualities of toughness and probity that it was seeking to clear up the mess. By appointing a Scot from its London arm, it also avoided giving the impreseion of a German takeover.

He was brought up in the humble Glasgow district of Maryhill, and attended Allan Glens School in Glasgow before qualifying as a chartered accountant. He trained as a venture capitalist in the ICFC – the forerunner to 3i – for 14 years before joining the corporate finance division of Royal Bank in 1982.

One company chairman who has worked closely with him says Smith'e roots in Glasgow, as opposed to the more genteel Edinburgh – Scotland's main financial centre – are still evident. "He is a thoughtful, straightforward man, but with a steely side thet does not always show in his smile," he says.

At Royal Bank, Smith came across Murray, who had just joined after working in Asia for an accountancy firm, and felt constrained by the bureaucratic clearing bank. "I was really feeling thet I had dona the wrong thing. Then Robert turned up and things immediately started to get more interesting," Murray says.

The two built up the bank'e development capital arm, finding small and medium-sized companies in which to invest through management buy-oute. This required an intuition for whether a management team was sound, as well as negotiating ekills. "Robert is good at sizing people up, and working out how to get a good deal," says a colleague.

In 1989, be controversially led a team to Morgan Grenfell, which offered him a place in a management incentive deal that rewarded him for achieving strong returns for investors who placed cash in Morgan Grenfell funds. Smith's operation grew rapidly, and now manages funds of over £700m, an achievement bringing him at least as much wealth as Horlick.

In this process, Smith has become a leading figure in what is sometimes known as the "Scottish mafia" in the City of London. He is president of tha Institute of Chartered Accountants of Scotland, and chairman of the board of trustees of the National Museum of Scotland. In both, he *has displayed his skills as a* raconteur and public speaker.

"In the past, they heve chosen aristocrats for such posts, but he has an ease of manner that euggests *he was born to it," says* Grahame Greene, his counterpart at the British Museum. Greene says he is "not in the Thatcherite mould. He does not think everything should be run like a business. He respects the notion that scholarship is different."

In spite of the respect many have for him, his style does not euit everyone. His etraight-forwardnese tends towards hluntness, and he has always worked in small teams. "I don't know how easy he has found it moving to a snakepit where you have to leave your jacket on your chair when you go to the toilet," says one venture capitalist.

If so, the Horlick incident may teach him to be more careful. Even Murray says his former boss can sometimes be a touch slow to observe warning signals. He recounts how Smith was driving them to an appointment in Inverness on a snowy night, and the car was gradually getting warmer and warmer inside.

"I said to Robert: 'It is getting hell of a warm in here'. My feet were red hot and I looked across in front of him and saw there was a light on. We trundled to the nearest garage and the thing took two gallons of oil. I said to him: 'That light must have been on for ages. Did you not notice?'," Murray recalls. Perhaps next time he will.

John Gapper

FT GUIDE TO:

THE GOLD MARKET

How big is the gold market?
Don't know.

Go on, make a guess.
Can't even do that. You could say that total gold supply last year was slightly more than 1bn troy ounces and that, at last year'e average price of $387 an ounce, it was worth $387bn. But this hardly gets us started. If you can wait until Wednesday, though, we might have a better idea because, for the first time, the London Bullion Market Association will give details of the turnover of the London market and international deals settled in London.

That seems a good idea.
Not necessarily. Many people use gold – the ultimate anonymous currency – to hide their wealth. They might get nervous about any move to lessen the London bullion market'e secrecy, and shift their husiness to Switzerland or elsewhere.

Surely the Swiss will follow London and also give details about their gold market?
Are you mad? Ask a Swiss banker to tell you the time and he will check three times to make sure he is breaching no confidences.

So why has the London market decided to provide the information?
Dealers say it is because they are responding to calls for greater transparency in international markets.

Transparency?
The theory is that when everyone can see the inner workings of a market by using the statistics it provides, users can be sure that insiders are not ripping them off and that the market is not being manipulated.

Isn't the gold market too big to be manipulated?
Possibly. But at the morning gold price "fix" in London on March 26 1990, a Middle East syndicate led by the National Commercial Bank of Jeddah sold at least 50 tonnes (1.6m troy ounces) – or possibly 100 tonnes – of the metal in a few minutes, driving the gold price down $20 an ounce to $368. The Saudis took sterling in exchange for their gold and the impact, as they expected, pushed up the value of the pound. They made a profit on that as well. All perfectly legitimate, but the market has never been quite the same since.

What was that about a price "fix"? Sounds suspicious.
Not at all. It is a grand tradition. Every trading day, five members of the London gold market meet at 10.30am and at 3pm in an upstairs room at the offices of N.M. Rothschild in St Swithin'e *Lane in the City, and by means of a single direct* line to their own trading rooms "fix" the price. In theory anyone, anywhere in the world, has access through a broker to the London fix and can take part for any amount.

The fix offers a guaranteed opportunity to buy or sell very large amounts of gold at a known or fixed price. Potential price movements are unlimited during the fixing. Most fixes last only minutes. The London fixing is the benchmark against which a great deal of the world's real, physical gold business is transacted.

Did you say there were five organisations trading gold to London?
No. Thirteen companies make a two-way market in gold in London. And there are other organisations that will quote to customers on a commission basis and lay off the risk.

Where are the world's other gold trading centres?
With London, New York, Tokyo, Sydney, Hong Kong and Zurich make an international market known as tha "loco London market", not because you have to be crazy to be involved but because gold is quoted for delivery in London. In fact, moet internationally traded gold is cleared through London, though not all of it in the "loco London" market.

The Swiss are supposed to be big players to the gold market, aren't they?
Certainly. Outside London most spot trading is done through Zurich. That dates from 1968, when the London market closed temporarily at the request of the US Treasury, which was attempting to hold the official price of gold at $35 an ounce. That gave Switzerland'e three big banks – Union Bank of Switzerland, Credit Suisse and Swiss Bank Corporation – access to South African gold production previously marketed exclusively through London.

The gold price has been falling lately. Is there any connection between this and the decision to reveal some gold market secrets?
Not really.

What's in it for the bullion dealers, then?
Notwithstanding worries about upsetting clients who prefer total secrecy, some dealers believe it will bring more business to London. Since 1990, the LBMA has been publishing details of gold lending rates, and some dealers are convinced this has attracted more business to the market from mining companies and central banks.

Talking about the gold price, where is it going?
I asked my favourite dealer that. Responding admirably to the association'e new willingness to give more information, be replied: "The gold price will go down. Then it will go up. But not necessarily in that order."

Kenneth Gooding

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

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Peter Norman · Economics Notebook

Kohl tries to make up for lost time

Germany's social market economy needs returning to its founder's ideals

To drive past the Bonn headquarters of Chancellor Helmut Kohl's Christian Democratic Union these days is to take a trip down memory lane.

A large poster with the elogan "Continuity of a successful policy" depicts a chubby, elderly man with a big cigar alongside smaller photographs in which he appears with a youthful Helmut Kohl and an aged Konrad Adenauer, west Germany'e first post-war chancellor.

The man on the hoarding is Ludwig Erhard, west Germany's second chancellor, who as an official in the US and British zones of occupied Germany *launched the D-Mark in 1948* and created the conditions for Germany's post-war economic miracle, or *Wirtschaftswunder*. Erhard's sudden appearance on *Bonn's main thoroughfare is a* foretaste of celebrations of the centenary of his hirth on February 4. These get seriously underway in Bonn this week, and Kohl is determined to milk them for all he is worth.

The present chancellor's lavish hoocuring of Erhard is somewhat eurprising. Kohl has always claimed to be the linear political descendant of Adenauer. Bot Erhard has his place in Kohl'e pantheon because he was the father of Germany's social market economy, a concept Kohl is pledged to preserve despite growing doubts about its ability to cope with an ageing population at home and intensifying competition abroad.

The irony is that Erhard must be spinning in his grave at what has happened to his creation and how his memory is heing exploited by Kohl and others.

For the Erhard blueprint for post-war Germany had little in common with a society in which public expenditure accounts for more than 50 per cent of gross domestic product, the burden of taxes and social security levies is more than 45 per cent, and the total welfare budget is one-third of GDP. Otto Schlecht, a former Erhard aide and the Bonn economics ministry'e top official for many years, who now chairs the Ludwig Erhard foundation, says these attributes of modern Germany "are more characteristic of a state-controlled economy than a social market economy".

Erhard would have a problem recognising the present-day German labour market (unemployment *is more than 10 per cent)* as evidence of the continuity of a successful policy. When Erhard was shouldered aside as chancellor in 1966 after plots against him in the CDU, the unemployment rate was only 0.7 per cent, despite a slowing economy that year.

And despite recent cuts in health, welfare services and pensions, he would have difficulty detecting his own model of the social market economy beneath the generous embellishments added by successive governments of the centre-left and centre-right since 1966. State spending when Erhard left office was less than 37 per cent of GDP.

In 1957, elightly more than halfway through a 14-year stint as federal economics minister, Erhard wrote a book entitled *Prosperity for All*. It was a bestseller. It is due for re-issue next month (Econ Verlag, Düsseldorf, DM49.80), baving been out of print during Kohl'e period in office.

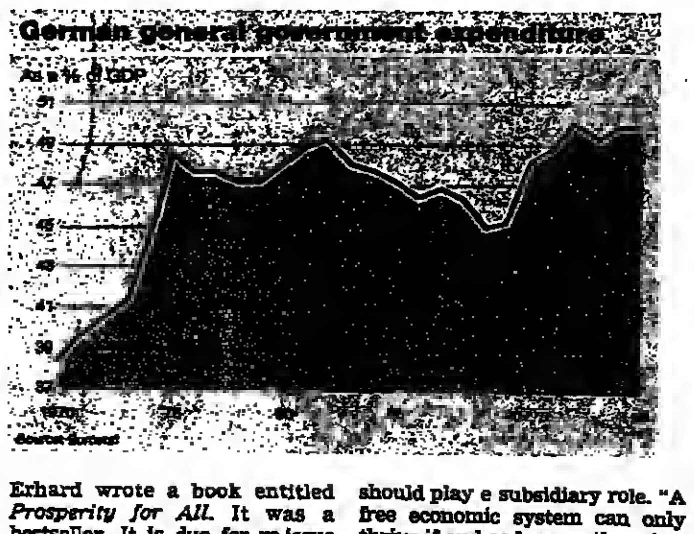
Its 17-year absence has been a pity, because Germany's present generation of politicians might have profited from Erhard's insights.

Erhard had much more to say about the market economy than the social markst economy. Open competitioo was at the centre of his economic philosophy. Provided the state fostered private ownership, fought inflation and allowed prices to be set freely while fiercely opposing cartels, prosperity would grow and benefit all.

Although ba recognised that there was a need for some state provisioo of social security, this should play e subsidiary role. "A free economic system can only thrive if and as long as there is a maximum of freedom, private initiative and self sufficiency in the social life of the nation," Erhard wrote.

His ideas fell far short of the ever more generous cradle-to-grave welfare state that emerged under the centre-left governments of Willy Brandt and Helmut Schmidt in the 1970s and Kohl's coalition in the 1980s.

Erhard himself was incapable of halting tha trend to more state involvement in the economy in his years in government between 1949 and 1966. But he felt things were going wrong. In the eighth edition of his book, published in 1964, he found himself "absolutely horrified recently at the overpoweringly loud calls for collective security in social policy".



The result, he warned, would be ballooning state budgets and ever higher taxes and eocial eecurity contrihutions that would do nothing to increase the security of the individual citizen. Thus he crisply described the problem facing Kohl'e government today.

With the benefit of hindsight, it is clear that Germany missed a big opportunity to strengthen its puhlic finances in the 1980s. State spending in west Germany was reduced to only 46 per cent of GDP by 1989 from more than 50 per cent in 1982, the year that Kohl took power. Subsidies proliferated and the already generous welfare system sprouted new benefits.

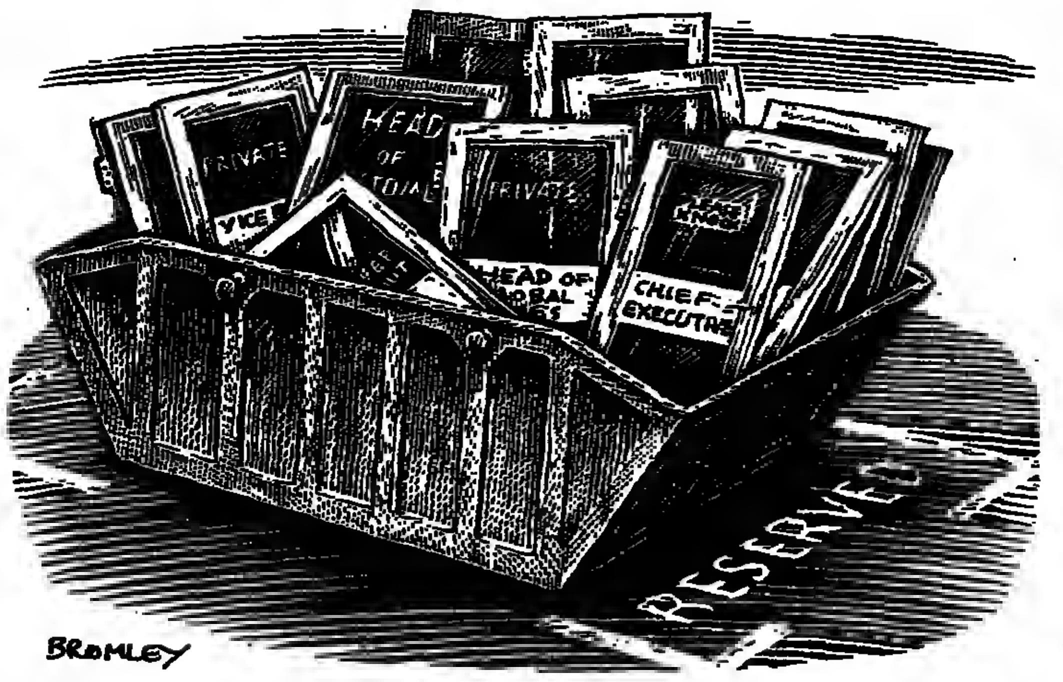
Kohl'e government is now trying to make up for lost time. It pnhlished an ambitious blueprint for tax reform last week. Ideas on how to restructure the pay-as-you-go pension system are due any day.

The chancellor himself talks of the need for greater self sufficiency and individual responsibility. In a foreword to the forthcoming edition of *Prosperity for All*, Kohl aligns himself with Erhard's warning against expanding the welfare state to the extent of enfeebling the productive part of the economy.

For many, Kohl's change of tone will *smack of shutting the* stable door after the horse has bolted. But if Erhard's centenary enables Germany'a present chancellor to learn the limitations of the social market economy, it will be a case of better late than never.

What's in a title?

Victoria Griffith on the trend towards egalitarian organisational structures in the US



The next time you are handed an American's business card it may look strangely uncluttered. *Instead of the customary* "vice-president" of this, or "chief officer" of that, there may be just the person's name and a space.

Companies in a number of sectors are stripping away titles. Entertaiomeot giant Walt Disney, motorcycle manufacturer Harley-Davidson, the newswire group Bloomberg, and computer groups Microsoft and Silicon Graphics are among those which are dumping titles.

*Walt Disney calls almost every*one at the group a "customer service representative". Harley-Davidson has eliminated some titles, including executive vice-president, machine operator and machioe inspector. Bloomberg prints business cards with names only. "We can use titles on business correspoodence if necessary," says Stuart Bell, who runs the group's Princeton-based operations. "But if a fancy title is important to you, you shouldn't work for us."

The distaste for titles reflects a desire for more democracy in the US workplace. Titles are associated with hierarchies, representing specific rungs on a well-defined corporate ladder. Increasing numbers of US corporations are throwing out the ladder metaphor to *embrace flatter organisa*tions. Corner offices have disappeared in favour of open-plan floors, the company's president may show up to work in jeans, and no one is expected to bring anyone coffee any more.

"Getting rid of titles is not just a superficial change," says David Baldwin, in charge of organisational operations at Harley-Davidson's Capitol Drive plant. "It means you have to get rid of the executive bathroom, the executive dining room, special parking spaces for upper management and all that. It means breaking down the barriers between workers and managers."

Traditionally, titles in the workplace have *reflected* privilege as much as management roles. Old films are full of do-nothing bosses, napping behind closed doors while harried *secretaries run* the company. It is doubtful many executives ever enjoyed such ease, but the idea that titles can be misleading strikes a chord with Americans.

There is a growing feeling that the extensive use of titles clashes with the new, more flexible approach to management. At many companies employees are expected to jump from one project to another, making their positions difficult to define. "As corporations become more team-oriented, it makes it easier to accept tha lack of a title," says John Bassler, managing director at the management consultancy Korn/Ferry.

Bloomberg launched a crusade against titles six years ago, when management feared new positions were dividing the organisation. "Someone would be doing a good job, so after a year, we'd give them a raisa and a new title," says Bell of Bloomberg. "Then we'd have to find something for them to be responsible for. We were chopping up the company into little pieces."

Another problem with titles, say sceptics, is that they can encourage workers to shirk responsibility. "I sometimes tell people I'm chief bottle-washer," says Baldwin of Harley-Davidson. "I'm trying to send the message that we all have to be willing to handle whatever comes np here. If you're calling someone a machine operator and something goes wrong with the machine, the temptation is to say 'Oh, that's not my job. I'm a machine operator. The *machine inspector* should take care of that.'"

Titles are not on the wane in every industry. Banks, insurance companies, and other groups with a great deal of customer contact still love to hand out vice-presidencies and managing directorships. And some companies have dealt with the need for greater flexibility by adding even more titles to executives' names. A single manager may be known as "chief financial officer, treasurer and corporate secretary".

Management theorists say it may be useful for companies to distinguish between the use of titles internally and externally. In an organisation, employees quickly get a feeling for the sphere of infInence of various executives, regardless of their job descriptions. Yet to *those outside* the corporation, titles can send messages of power and status.

Much of the world still places great importance on titles. In *some cases it may* be advisable to inflate someone's title to facilitate their access to top people in other companies. Impressiva titles can be especially important to anyone dealing with foreign cultures, especially areas such as Japan and Latin American countries, whare an unimportant-sounding executive may not get in to talk to the top brass.

"At our company, we're thinking about giving our international marketing guy the title of 'president'," says Harold Weinstein, chief operating officer at the consultancy Caliper. "It's a strategic decision that has nothing to do with his actual status."

Elite headhunter Heidrick & Struggles advised a client to advertise for a "chief axecutive officer" instead of a vice-president. "The client said 'I don't care what you call him as long as he knows I'm the boss'," says Gerard Roche of Heidrick & Struggles. "It helped us locate a *more qualified person*."

Because titles still mean so much to so many people, it will probably be a long tima before they disappear completely. People outside a company want to be able to identify who is in charge, and many managers consider an important-sounding title the reward for years of hard work.

Yet addressing the age-old question of what's in a name is having an impact on US corporations. "It makes you think about your work," says Bassler of Korn/Ferry. "I can say I'm managing director, or chairman of consumer products, or a member of the executiva committee that runs Korn/Ferry. But in the end, I'm basically a consultant."

William Sargent and Sharon Reed: 'we don't interfere in each other's work'

PARTNERS

Megalomedia

William Sargent and Sharon Reed, both 40, started The Framestore in 1986, a company which creates digital images for television and film. They sold to Megalomedia last year and now share the role of joint chief executive of the screen-based services operations of Megalomedia. Sharon and William married in 1991. Their turnover last year was £6.9m.

William: "When we're in meetings together I don't think people realise we're married. We don't hide the fact, but occasionally an office junior will mention to another staff member that they think something is going on between us. Sharon gets the hump if anyone refers to her as Mrs Sargent.

A business partnership/marriage like ours can only work if you don't spark off one another. We don't interfere in each other's work, which means we don't get irritated.

Sharon's much more of a hands-on manager, whereas I tend to potter and scout around for new projects. She thinks I have more fun because I go off to Los Angeles and New York talking to prospective clients. I say 'you go then', knowing perfectly well that she hates flying.

We're both quite tough and have been accused of being intimidating. I know we give our suppliers a hard time. Sharon will batter them into submission by being relentless, while I'll get there by being jolly and cracking a few jokes.

Although we sold to Megalomedia we're still responsible for the performance of The Framestore, which means we still have control. The company has an impressive track record; from the opening title sequence of *GoldenEye*, to the latest series of John Smith's Bitter commercials. Sharon and I want to ride digital technology, the same way Carlton rode the growth of television. No one knows where we're going to be in three to four years, not even the City, but it looks promising."

Sharon: "When we met in 1981 William was an independent television producer and I was working for Sotheby's. After a few years I realised I would never get on there with a name like Sharon.

Occasionally I have pangs of regret about leaving, but I've now covered my interest in the visual arts by re-designing our offices.

Although we're not directly involved in the creative side of the digital imagery we do the pitching and presentations. William prepares the financial analysis – how much it will cost frame-by-frame – and I compile biographies of the creative team which we then present to the client.

He has inspired ideas, very off the wall, but he's sometimes so keen to expound his vision that he talks too much in meetings. I'm a great believer in listening, especially when there's a five-second silence. That's when people say the most interesting things. If you fill it, you'll never know what they were going to say.

I think of him as my good luck mascot and would never want to go into a transaction without him. He's brilliant at networking and keeping contacts, while I focus on earning the pounds.

William is a fantastic optimist whereas I have more than my *fair share of* pessimism. With any partnership, you gain so much from the other person that you end up loving them for their *failings as well as their* strengths."

Fiona Lafferty

Age shall not wither them

Despite changing attitudes it can still be difficult for older people to get a job, finds **Vanessa Houlder**

Doris Morse: back at work

Has the cult of youth had its day? British oldies received fresh encouragement last week when Alan Clark won the Conservative nomination for one of the most coveted parliamentary seats in the country at the age of 68.

Even more remarkably, Doris Morse, aged 77, beat 1,000 applications for a job behind the fresh fish *counter* at an Asda superstore – continuing a career that begao before the second world war.

To judge by last Friday's headlines, age barriers to employment are crumbling. As Asda, which employs about 70 people who are over 70, puts it: "Age should not stand in the way of getting a job. It is personality and experience than counts."

But to many, the suggestion that age discrimination is abating is ludicrous. Most companies that have downsized have targeted older workers who have then struggled to find new jobs. Even Lord Tebbit, the former cabinet minster who used to exhort the unemployed to show more initiative, has complained of a "cult of ageism" in Britain.

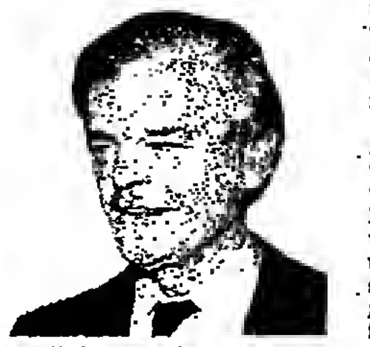
Indeed, the evidence *suggests* that it has become more, not less difficult. Job prospects for older workers have worsened despite the upturn in the economy, according to a recent report by the Carnegie United Kingdom Trust. The problem is partly that older workers are seen as less flexible, less open to technology and less able to learn, according to a study from the Institute of Management last year.

However, the same study found that older workers were seen as producing better-quality work and being harder-working. It concluded that older workers were thought suitable for some jobs involving teamwork, customer contact and low levels of supervision, but not for fast-changing or pressured jobs, or those requiring a heavy investment in training.

Such stereotypes are harmful when it comes to recruitment, in the view of Elisabeth Marx, a psychologist at NB Selection, a recruitment company. The wide belief that older people are less flexible is ill-founded, she says. There are more differences within individual age groups than between them.

Furthermore, Marx believes that the idea of associating a particular age with a particular job has become outdated. As labour markets become more flexible, workers will need to take up different skills and occupations during their working lives.

The Institute of Personnel and Development is also a champion of older workers, believing that age discrimination harms both individuals and organisations. "Research shows that given the right training older people are just as capable of learning new skills as younger people," it says.

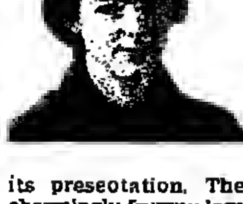


Alan Clark: heading back

Some companies are trying to move away from age discrimination. Last year nearly 100 leading British companies said they would no longer use age limits in their recruitment advertising.

There is a *strong* case for more employers to follow suit, according to the Institute of Management study. It confirmed what many have long suspected: the most *important reason* for age discrimination in recruitment is simply that it provides an easy way to whittle down a large pool of job applicatioos.

Links between succession and success



Lucy Kellaway

Buy Cable and Wireless. Sell GEC. Both companies are under new management this year; the first is likely to do well, the second is not.

This might seem boneheaded, especially as both George Simpson at GEC and Richard Brown at C&W have good reputations.

But according to some research in the latest Harvard Business Review, reputations have nothing to do with it, and neither do any plans the new chief executive may have for shaking up the business.

The only thing you need to know to predict whether the new boss will be good for the company are the circumstances of their getting the job. Was the old guard fired, like James Ross and Lord Young at Cable and Wireless? If so, the newcomer only has a hope of success if he, like Richard Brown, comes from the outside, and is seen as a clean break from the past.

However, if the old guy retired, like Lord Weinstock at GEC, then it is better to hire someone from the inside. An outsider like George Simpson runs the risk of confusing and alienating staff.

It would not be surprising if these details did play a part in a company's *success. What is odd* about the Harvard study – based oo more than 200 successions at big US companies – is that they seem to be so much more important than anything else.

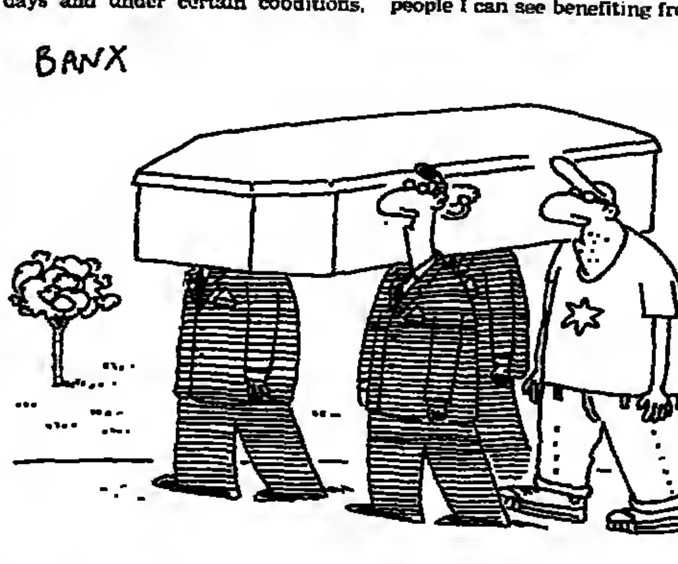
Maybe the research is flawed, but I like its implications. If chief executives have such a *minimal* effect on *performance*, we can *stop making* such a fuss over them – and stop paying them quite so much.

Just for the record, Simpson is showing no sign of changing GEC's style. Last week's press release announcing the 1997 organisation and management was refreshingly familiar in its preseotation. There was the charmingly frumpy logo, followed by a list of functions. There were no potted biographies, no photos (heaven forbid!), not even an indication of the sex of these top people. Just surname and initials. I hope the style will last for ever, but I'm not optimistic.

According to one of our US correspondents, workers are getting in a tizz about what to wear to work. By allowing casual clothes on certain days and under certain cooditions, US companies have created a wardrobe hell. No ooe knows what to wear and lives in *constant fear* of being caught out in the wrong outfit.

A rigid dress code serves an important function. It means you do not have to think about your clothes, but *more importantly*, it *means* that getting dressed helps get you in the right mood for the job.

Working is acting a part, and it is easier to do that if yoo are in full costume. In theory you *can change* the costume depending on the day of the week, but it does seem to complicate matters unduly. The only people I can see benefiting from this muddle are in the rag trade.



Last week I said I wanted to know what Nicola Horlick's kitchen was like, and a well-informed reader has come to my assistance. Apparently the one in the existing house is in Provence-*style* distressed paint – very late 1980s. The plans for the new kitchen are sleek and modern with an oversized Neff stainless steel cooker. Alas, such information has a short *shelf-life*. Ten days ago *I would* have killed for a glimpse of the plans, now I'm not that bothered.

Here is how Unilever ensures it does not get too many unwanted applications from graduates: it makes the forms so long and complicated that all *but the very keenest will be* put off. "The message is 'if you're having trouble with the form, maybe the company isn't for you'", Unilever boasted last week.

The real message is more like: "We are so great that we do not have to show respect to insignificant undergraduates – don't they realise merely applying to us for a job is a privilege?"

This approach is even more outdated than Horlick's Provence-style *kitchen. Fashionable companies* are never arrogant, but accessible, approachable, only as good as their people, and all the rest of it.

FIFO, I used to think, meant First *In, First Out. So when I heard the* boss of a small business saying that he was shedding two people on a FIFO basis, I thought he must be getting rid of the old hands. It turns out I'm behind the times. FIFO 1990s style means Fit In or F**k Off. It is, he assured me, the only successful way to *run a small company.*

BUSINESS EDUCATION

James Harding investigates a joint venture to train China's new generation of middle managers

International standard raiser

In expatriate circles in Beijing and Shanghai, foreign managers can often be heard venting their frustrations about local Chinese staff. The lack of initiative, experience or flexibility is a common complaint.

Forty years of authoritarian education and a Communist planned economy have made innovative and efficient managers a *rarity* in China. This is now focusing foreign minds on business education.

Leading British companies in China this month launched a project to open a China-Britain business school in Beijing, a move to meet the growing demand for managers trained to international standards.

Companies such as Rolls-Royce, Zeneca, Cable and Wireless, BNFL, General Accident and Shell are behind the proposal to set up a school in a joint venture with Chinese authorities in order to develop the skills of middle management.

Stuart Elliot, training manager for Shell in China, explains: "Foreign firms cannot expect to come in and find a wealth of senior, experienced managers. You can bring them in from overseas, but in the long run that is not viable either ethically or economically. If you want managers to meet international standards, you have to grow them locally."

The school will offer employees of foreign companies as well as Chinese state-owned enterprises a modular programme with courses including subjects such as accountancy, marketing, financial management and the law.

Gordon Gurr, president of Rolls-Royce in China and the driving force behind the project, says: "Foreign investors in China are trying to build businesses and need to develop local talent and China's state-owned enterprises need assistance in understanding the practice of international business. Our staff also want recognised qualifications. The school answers a very real need".

Students will generally be sponsored by their companies to do a full-time or part-time course and on completion of the necessary number of modules gain a certificate or diploma qualification.

Those who want to progress on to an MBA will be directed towards partner business schools in the UK.

The China-Britain Business School is the latest example of how China is becoming one of the world's fastest-growing markets for business education.

The China Europe International Business School in Shanghai will this year more than double the intake of full-time MBA students to 130 per year. Since the school opened in 1994, more than 1,200 students have been sent by their companies on short executive development programmes.

The school has opened an outpost in Beijing and to accommodate the demand it will move next year to a new $15m (£8.9m) campus in Pudong, the area in Shanghai designated to be China's financial and commercial capital.

David Southworth, who is vice-president of the school, says: "The demand for business education is simply enormous. CEIBS is already three times the size of the operation we envisaged in 1993."

Looking ahead: future managers will have more effective training

The number of foreign joint ventures in Shanghai with investment of more than $10m has increased 25-fold in the past five years. As a result, he does not fear competition from the China-Britain Business School, "but would welcome another international business school being allowed to operate to help meet the demand".

The demand is attracting international business schools to scout China for possible ventures.

The Massachusetts Institute of Technology is understood to have had talks with Shanghai's Fudan University and other US schools are in discussion with Beijing University.

The new schools will take time to come into being, but if they fulfil their ambitions then in as little as a decade foreign managers grumbling about their local staff may themselves have become something of a rarity. The multinationals in China will be managed by qualified Chinese.

NEWS FROM CAMPUS

Bound for Carolina to become a dean

The Kenan-Flagler Business School is looking for a new dean following the announcement by Paul Fulton that he intends to retire from the job at the end of June.

Fulton, aged 62, has been dean of the school at the University of North Carolina at Chapel Hill since 1994 and was formerly president of the Sara Lee Corporation. In his three years at the school the former businessman nearly doubled the endowment base.

Kenan-Flagler: US, 919 962 7235

Oxford expertise for Singapore managers

Templeton College in Oxford will launch the first in a series of Oxford International Executive Programmes in Singapore in March. The six-day programme, Maximising Knowledge to Create Business Value, will be run jointly with the Singapore Institute of Management.

Templeton: UK, (0)1865 735 422

Japanese money funds US building

The Takefuji Case Room will be the centrepiece of a three-storey building planned to open at the Graduate School of Business Administration at the University of Southern California in 1998.

The building has been partly funded by a $2m (£1.1m) donation from the Takefuji Corporation of Tokyo.

The school has launched a fundraising campaign to raise $1bn by 2000 and is actively strengthening its ties with Pacific Rim countries.

USC: US, 213 740 2215

Newspaper man visits Manchester

Will Hutton, editor of the UK Sunday newspaper *The Observer* has been appointed visiting professor of economics at Manchester Business School.

A former stock broker and television producer, and journalist on *The Guardian* newspaper, Hutton has an MBA from Insead in France.

MBS: UK, (0)161 275 6333

CONFERENCES & EXHIBITIONS

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at Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
E-mail: mick.gaynor@business-intelligence.co.uk
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FEBRUARY 18
10th Oil Price Seminar - Managing the Short-Term Risk
The annual Institute of Petroleum Oil Price Seminar examines the information used to predict future movements in the price of crude and refined oil products and addresses the techniques available to handle short-term risk. It offers risk managers, traders, marketers, analysts, information providers and forecasters the opportunity to hear the latest expert opinion and to sample the most up to date information services.
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f: 01895 813 095
email: alec@unicom.co.uk.
URL: http://www.unicom.co.uk
LONDON

FEBRUARY 26
Pensions & Long Term Care - Policy Developments and Market Solutions Beyond The Election
Chaired by Ian Bowles of Price Waterhouse and Philip Warland of AUTIF this conference features Peter Lilley and Frank Field. Mr Richard Best of the Rowntree Foundation leads a *discussion on Long Term* Care. *In* a final session of the conference John Plender, Edward Leigh and Baroness Turner will debate the policy developments to be expected after the General Election. Price Waterhouse and AUTIF are sponsoring and Pensions World will be contributing.
Details: Cityforum Ltd
Tel: 01225 466744 Fax: 01225 442903
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BUSINESS EDUCATION

FEBRUARY 27-28
Digital Money and Micro-Payment Technologies for On-Line Commerce:
Opportunities and Threats
New types of payment technology kick-start Internet business during 1997. Industry leaders describe technology developments and strategies for security, confidentiality and ease of use for on-line commerce. Speakers from National Westminster *Bank, Sun Microsystems, Microsoft,* HP, Electronic Commerce Association, National Express, GCTech, DTI, plus Judith Church MP, on Labour Party policy.
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MARKETING / ADVERTISING / MEDIA

Henderson picks a high-speed billboard

Investment fund managers are making a pit stop, report **Patrick Harverson and John Griffiths**

Investment fund management is not an activity most obviously associated with motor racing, a sport that absorbs money faster than the Sahara mops up water.

Yet the recent announcement that the UK's Henderson Investors, an independent fund management group, had agreed to sponsor Rothmans Williams Renault, a Formula 1 motor racing team, added a new dimension to financial sponsorship of sport.

It is a rare partnership between a City of London firm and a grand prix racing team. And this is not just any old racing team. Williams is one of the most controversial and successful teams in the sport.

Williams is the reigning world champion of Formula 1, yet at the end of last season it unceremoniously ousted Damon Hill, the darling of British motor sport and the sport's champion driver. And earlier this month Frank Williams, the team's managing director, was summoned to appear in an Italian court to face manslaughter charges over the death during a race of Brazilian star Ayrton Senna three years ago.

Despite these setbacks to the Williams team, Henderson is paying an estimated £3m ($5m) annually for three years to have its new logo worn on the helmets of Williams' drivers – Jacques Villeneuve and Heinz-Harald Frentzen – and the team's pit crew.

Even allowing for the grand prix world's claim that each race is watched by at least 100m TV viewers internationally, it sounds like an expensive way for Henderson to spend its money.

After all, Andersen Consulting, another Williams sponsor, estimates that only 1 per cent of viewers have a clue about the business of the company whose name has adorned the Williams drivers' helmet chin-guard for the past two years. Like Andersen, however, Henderson sees the pay-off in much more complex terms than a high-speed billboard.

"Henderson has two different customers, the retail man in the street and the institutions," says marketing director Lindsay Firth-McGuckin. "The value of the relationship for business-to-business contact and corporate entertainment is enormous, because of the global nature of grand prix."

Henderson has a particular eye on Japan. It has a strategic office there. In addition, the Japanese vie with Italians in terms of grand prix fervour.

But there is also a strong technology incentive. One of Henderson's latest products is an investment technology trust, and Williams' use of technology "blows your mind", says Firth-McGuckin. Regular exchanges of views between the technology fund's managers and important Williams men such as technical director Patrick Head form part of the deal.

Henderson also plans to use the conference facilities at Williams' spacious new HQ near Wantage in Oxfordshire as an eye-catching venue for its seminars.

The mass marketing opportunities are not being ignored. "Our awareness is very low outside the City," admits Firth-McGuckin. "And while we are not expecting that when Villeneuve goes shooting past, people will say 'Wow, did you see that Henderson Investors are on his helmet, we must become a customer', we do expect to build on the visual and recognition links with advertising."

Jim Wright, Williams' head of marketing, also says that an important attraction of the deal to Henderson was the use of its logos on the pit crew's helmets. He says one of the fund group's core marketing messages is teamwork, and there are fewer stronger images of teamwork in sport than the pit crew working feverishly to change tyres and refuel the car in less than 10 seconds. Wright claims Henderson may benefit from its association with Williams in another way, by linking up with the team's 20-odd other sponsors.

"We have a broad portfolio of sponsors and we try to encourage them to all work together," he says. "Henderson are working with other sponsors and there could be a synergy there with Andersen Consulting. There are other companies who perhaps want to take on board private fund management and some who may well want to start investing through Henderson."

Aside from the £3m annual fee from Henderson, which contributes to the £30m-£35m Williams earns from its backers each year, the team makes its sponsorship deals work in other ways. Andersen Consulting, for example, joined up with Williams after the team asked the firm to help it move to a new factory.

Now, says Wright, "we don't pay Andersen for their consulting services . . . we provide them with a showcase for their skills". A similar relationship could evolve with Henderson, he says.

Ultimately, the fund management group believes its support of Williams will reap substantial dividends. Experience has led Lindsay Firth-McGuckin to think Henderson is on to a winner.

Last season, when she started the burdensome task of trawling around grands prix to see if the game was worth the candle, she was spellbound by its effect on even the most senior and supposedly hard-headed executives. "I was amazed that boys will be boys and that they could get so excited about being on the inside track and getting invited into the pits. Frankly, I'm even more amazed that no one else from our field isn't already in it."

The glamorous attractions of Formula 1, however, can be overstated. When Williams was courting Henderson, Wright says, the group's board was invited to the British grand prix at Brands Hatch as the team's guests. Unfortunately, their vehicle became trapped in grand prix traffic, and a helicopter was summoned to ferry them to the race track.

But the helicopter could not take off because of the weather, so the entire Henderson board of directors was transported to the Williams pits across muddy fields by tractor and trailer. Wright says: "If it was glamour they were after, the relationship would have ended there and then."

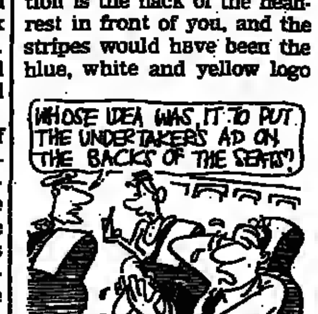
Derek Cox

Frank Williams, whose reigning Formula 1 championship team earns £30m-£35m from its backers each year

Headrest to arrest frequent fliers

If you flew from London to Paris for Christmas, or to New York over New Year, you may have seen stripes before your eyes. This would have resulted not from over-indulgence or travel sickness, but from the latest bid by advertisers to treat all blank spaces as potential hoardings.

The blank space in question is the back of the headrest in front of you, and the stripes would have been the blue, white and yellow logo of Visa International. The idea of extending the headrest cover and putting ads on it comes from In-Flight International 2000, a UK marketing consultancy. AirUK and Continental Airlines are the first airlines to have participated in the scheme.



Karren Brooks, IFI 2000's sales and marketing director, says that the idea gives advertisers access to a captive audience of international travellers.

Advertisers likely to be particularly interested in this form of advertising include owners of duty-free brands. A campaign for Martell cognac is due to start at the beginning of next month.

A survey by the Travel Research Centre (Europe) among 400 AirUK passengers who had been on flights that carried this advertising suggested that about one in two remembered that the headrest cover had carried ads, and that slightly more than 90 per cent of the one-in-two could name the brand.

Alison Smith

Ad set gets with the programme

Ogilvy & Mather has turned personal growth into profit, says **Alison Smith**

A management programme which includes assessing staff on whether they listen to the latest bands and what type of mineral water is in vogue might sound surprising. For many companies, such questions would themselves sound odd, but in the world of advertising agencies, the shock is in the idea of running a management programme at all.

The agency is the London office of Ogilvy & Mather, part of the WPP group, whose 350 employees are going through a "Managing Personal Growth" programme put together by corporate values specialists Blessing/White.

Tom Barry, managing director of Blessing/White, says that O&M is the first UK advertising agency with which B/W has worked. More usually, its clients are financial or technology companies.

"Mostly we would recommend urgency and shortness in seeing through a programme," he says. "But O&M's culture is one where they want to make sure that they don't seem heavy and organisational."

Work started on the programme more than four years ago. Tom Bury, managing director of O&M, says that the final catalyst was the company's relocation from offices in the centre of London out to the capital's Docklands area in 1992. Since O&M had already been the subject of a hostile take-over, and the economic recession had started, "we recognised that the move was the last of three bad things happening to the agency".

The first part of the process involved clarifying the agency's values, using three criteria: creativity, energy and integrity.

Since then, staff have taken part in a series of 1½-day workshops at which they measure themselves in relation to 49 separate skills or activities under those three broad headings.

These 49 skills include "being up-to-the-minute on social issues and consumer trends and fashions"; "encouraging the 'buzz', creating a lively, energetic, and fun working atmosphere"; and "facing up to people problems, resolving conflicts".

Staff then discuss with their managers how they scored, and get feedback intended to help them understand what the organisation expects of them in terms of these measurements.

Some of the process sounds complex and dull, and alien to the atmosphere of an advertising agency.

"It was pretty bureaucratic, and there were lots of forms to fill in," says Nicola Gill, an O&M copywriter. "But on the positive side, it did force a conversation between me and my creative director that I would not otherwise have had, and gave it a structure. It was the first time during 11 years in advertising that I had spent 90 minutes talking about my career."

Bury is clear about the programme's impact. He says it is "no coincidence" that during the past four years morale and creativity have improved, and the company has increased revenues and profitability, becoming the third largest agency in the UK.

On a more day-to-day level, Penny Allsop, personal assistant to one of the business directors, says it is possible to tell which staff have been on the programme. "Whereas before they could be quite ratty about something, now they're calmer – or they may ask your opinion about something they would not have done before."

One of the programme's aims is increasing the level of staff retention by helping them see what the agency's vision is, and what it expects from them. Ironically, this has led some people to realise that they do not want to stay.

The agency does not seem perturbed about this, pointing out that it is more valuable to have people satisfied in their jobs and committed to the organisation. Even so, it can hardly have foreseen one ex-O&M employee's comment: "I thought it was brilliant: it made me leave."

Pegasus and pizza on demand

Time Warner is to offer video with everything, writes Raymond Snoddy

Time Warner, the US media giant, will start later this year to introduca sophisticated digital technology into its cable television networks which, before long, will offer video-on-demand and high-speed access to the Internet.

The US company last montb placed orders worth close to $500m (£299m), the largest slice with Scientific-Atlanta, for 1m digital set-top boxes following what it regards as the success of its experimental network in Orlando, Florida.

Tha Orlando experiment, whicb has cost an estimated $100m altogether, has attracted broadcasters and cable operators from around the world, and is the first to "integrate" cable, computer and telepbone technologies across a fibre optic and coaxial cable network.

The technology means that any one of 100 movies can be chosen by pushing buttons on a remote controller. The films can be paused as if they were a video, and at the same time viewers can order a take-away pizza with toppings of their own devising through the television set.

Time Warner will not reveal details abont how tbe Orlando guinea pigs use the enormous choice on offer, because the company regards it as valuable proprietary information. But the fact that the company is beginning the task of offering similar facilities on its existing cable networks – Time Warner is the second largest cable operator in the US, with more than 12m subscribers – suggests the results bave been very positive.

Tom Feige, president of Time Warner's Full Service Network (FSN) in Orlando will only say: "We are getting some very good and very interesting results in terms of usage of the network, and we will be able to project what the revenues are going to look like."

It is believed that by offering true video-on-demand movies, Time Warner had been getting four or five times the normal buy rates of early pay-per-view systems, and considerably better than near-video-on-demand, which offers movies at intervals of about 20 minutes.

At present, apart from video-on-demand, those connected to the FSN can call up news-on-demand – selection of the news items they want to see from the main local and national hroadcasters – and the best basketball and American football games from a sports library.

New services are being added all the time, and this week Time Warner is adding Smart Living, giving customers access on demand to a library of bealth and education videos. Access to Web sites via the telavision screen will be available soon.

Interactive games are popular, and apart from ordering pizzas using the remote controller, the 4,000 homes in the Orlando experiment have access to home banking, electronic preview guides and O'Roundtan, a guide to what's happening in Orlando, including the ability to call up previews of movies showing in local cinemas.

An important part of the experiment has been to test responses to particular price levels. For instance, movies range from 99-cent specials to a top price of $5.95.

Delivery of sucb a wide range of services is possible because of the sophisticated construction of the cable network, with more than 1,000 miles of fibre-optic cables which offer almost infinite transmission capacity.

The fibre goes to local neighbourhood nodes and the service goes into the bome on traditional coaxial cables. But the biggest cost elements of the system are the enormous computers and video servers which store and transmit material.

One server "stream" needed to send one movie to an individual viewer has until recently cost between $2,000 and $3,000 – far too high to be economic, although the cost of the streams has started to decline rapidly.

At present, something like FSN, which was set up as a giant marketing experiment, is completely uneconomic (it was never intended to break even). That may be about to change.

Tom Feige believes that during the next year to 18 months the cost of the individual streams from the video servers could come down to $400. At that sort of level, providing video-on-demand and interactive services could become a business, although the important factor is exactly how mucb capacity is installed.

The Orlando experimental network is built to cope with 1,000 subscribers – a quarter of the total – asking for the same movie at the same time. But it might be possible to get by on a lower percentage, bringing down the network's cost.

The cost of the "home communication terminals" – Scientific-Atlanta thinks it too demeaning to call them mere "set top-boxes" – bas also come down, from prototypes costing several thousand dollars to an expected price of $400.

Bnt won't prospects for sucb interective full-service networks be hindered by direct-to-the-home satellite systems whicb can offer 200 channels of TV, including near-video-on-demand, across the continental US?

There are four sucb systems already and Rupert Murdoch's News Corporation plans to spend $1bn on launching a satellite system, ASkyB, later this year.

Feige believes that competition from satellite will accelerate development of sophisticated interactive cable networks offering the Net on TV screens.

An optimistic outlook for interactive cable networks is shared by Scientific-Atlanta, whicb builds systems and networks for both cable and satellite TV.

James McDonald, S-A's president and chief executive and a former senlor executive at International Business Machines, says: "Time Warner have made the commitment to launcb and we see a lot of other people right in behind them [who] will follow."

Under Time Warner's project, called Pegasus, Scientific-Atlanta will be the prime contractor and will supply 550,000 digital boxes and associated equipment over three years with Pioneer supplying 250,000 and Toshiba 200,000.

The Scientific-Atlanta box is now in its fourtb generation because the company has taken part in other interactive cable trials.

The first Pegasus trial, involving 200 homes, will be in the Atlanta area in June, followed by installation of the digital boxes in three or four Time Warner cable networks next year, with as many as 30 in 1998, including the possibility of starting work on couverting Time Warner's large cable networks such as New York to digital.

Full video-on-demand (whicb means that viewers can watch movies of their choice within 30 seconds, including the cboosing time), is likely in late 1998 or early 1999.

Tim Jackson

Outlaw links

One of the charming things about tbe Internet is the way in which it can make monkeys of old-fashioned publishers who don't understand it. An example of this can be seen in a letter sent by the publisher of a newspaper in the Shetland Islands, 100 miles north of Scotland, to the owner of a Web site, accusing the site's owner of "making use of [our] beadlines, news, photographs and other material", and threatening him with legal action unless be desisted.

The publisher's anger had been aroused by the discovery that articles from his own newspaper and online service were accessible to users of his rival's Web site. But he seems not to have grasped the point that the other Web site was not storing or reproducing his photos and news stories. All it was doing was providing links to the places wbere this information was made available for public access on his own Web site.

This is an understandable mistake for someone who has never used the Internet. Using a point-and-click mechanism to jump effortlessly around the world from computer to computer is the fundamental principle of the World Wide Web. For someone who purports to be in the electronic publishing business, tbe mistake displays an ignorance that is bizarre. But the letter has given rise to a court case that raises an interesting question: can owners of Web sites object legally wben someone else links to their sites?

As test cases go, this is picturesque. The plaintiff is the family-owned Shetland Times, the dominant local paper on a group of islands with a total population of 23,000. Citing its financial interests in publishing poetry, monthly magazines and books about trout fishing and knitwear, the Christian Science Monitor describes the family as "the Citizen Kanes of the Shetlands".

The defendant is Jonathan Wills, a former editor of the paper. Wills has a PhD, and experience working for The Times of London. Fired by the Shetland Times, Wills sued for unfair dismissal, won an out-of-court settlement – and now runs an advertising-supported Web site called Shetland News. It is this site that has provoked the case.

Wills has lost the first round. A Scottish court has granted the Shetland Times a temporary injunctlon against him. The issue is muddied hy the fact that Wills's Web site used direct quotations of Sbetland Times headlines as hypertext links to its rival's site. As a result, the court will have to consider whether newspaper beedlines, unlike advertising slogans, are copyrightable, and, if so, whether those in the Shetland Times can claim literary merit.

The injunction, issued last October 24, hes prompted hysterical publicity on the Net, suggesting that the entire future of the Weh may be at stake. This doesn't look likely. Professor Charles Oppenheim of De Montfort University in Leicester believes that the defendants bave a "cast-iron defence of fair dealing" and a "99.999 per cent chance of winning their case".

Suppose tbe headlines had not been copied verbatim. Should there still have been a case? It is tempting to say that a hypertext link to someone else's site is no more than a cross-reference, and that publishing it is no more a breacb of copyright than tbe publication of someone else's postal address or phone number.

But the matter is more subtle than it looks, for hypertext links can do more than simply refer a Net user from one site to anotber. Consider a dispute between Television New Zealand and ClearNet, a Web site owner. ClearNet's site included a link to a graphics file on TVNZ's Web site, the result of which was that ClearNet users would see the TV company's logo on the ClearNet page, and could jump to the company's listings.

At no time was any copyrighted TVNZ material copied or held hy ClearNet. But ClearNet users saw material while viewing the ClearNet site that belonged to TVNZ.

Still more striking is the story of TotalNews, a Web site that provides a convenient jumping-off point to many news services, including Fox, CNN, Time, Reuters and USA Today. Using a technology called "frames", the services are listed in a column on the left. When you click on one, its Web site comes up on the right. Yet the revenue from the ads at the foot of the page goes to TotalNews, not to the owners of the site generating the information.

Tbe nub of this issue, which courts and legislators will have to answer, is wbat to do about copyright in an age in which its owners do not sell their material, but instead seek to disseminate it free of charge in order to sell advertising. But the Sbetland Times case is mucb simpler. Instead of resorting to law to make good the ad reveoue loss it claims to have sustained by the by-passing of its home page, the litigious publisher can take steps to make sure that it captures the benefits arising from bypertext links from its rival.

It can regularly change the file names on its site, so that links from tbe Shetland News don't work. It can password-protect its Web site, so that only registered users who bave passed through its home page can use it. Best of all, it can publish ads on eacb of its Web pages, and encourage rivals to link as often as tbey wish.

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TCI tough guy outlines his lower-cost vision

John Malone, the man who runs Tele-Communications Inc, the largest US cable company, makes his point quictly bnt witb determination. "The only way yon can run a company like ours and do well is to be tough. Yon can't be a social experiment. The message is: 'I don't give a shit. Toughness is back.'"

It has been a tough few montbs for Malone. Less than nine months ago, be was optimistically pushing ahead with the digital revolution and planning to revamp his cable networks in the US. Then the third-quarter results arrived. Abont 70,000 of bis cable subscribers had been lost to satellite systems, margins were disappointing and TCI was not growing at the rate Wall Street had expected. The sbare price beaded south.

Malone, who had been concentrating on technology and on Liberty Media, TCI's programming arm, came back with a vengeance to run the main operating company. Executive salaries were reduced by 5-20 per cent, 2,500 jobs were cut and the company's four jets were put up for sale. Malone himself took a 20 per cent pay cut.

"The financial crisis, if there was a financial crisis", he says, was that the bond rating agencies were looking at TCI's debt leverage – the debts total $15bn – and were concerned at the growing competition from satellites and TCI's recent acquisition of new cable systems from Viacom.

"So my rather aggressive re-entry into the operating side of tbe business was really to preserve our investment grade bond rating. That required very qnick action," he says.

Overbeeds had been allowed to grow and margins decline. Bnt while shouldering his share of the blame for this, Malone was struggling towards a "philosophical" explanation for what happened. He came up with an unexpected culprit – the US government.

TCI's costs went np, be argues, because of beavy political intervention to the cable business.

"Tbe company started to be driven more by government regulation than by bottom-line management. Many of our best managers felt powerless to make decisions and felt they had to go along with government edicts," Malone says.

The day he came back he made an uncompromising speech to his executives. "I said: 'Guys, enough of this. We are not going to run this company to please a bunch of goddam bureaucrats and politicians. We are going to run this company to satisfy our customers and the needs of our shareholders.'"

By contrast to tbis approach, Malone is embarking on a lower-risk strategy to upgrade his networks. He wants to offer his 16m subscrihers 200 channels of television, high-speed Internet access, telephony and even video telephony.

He says be increasingly came to believe that the company's investment strategies were too capital intensive and too slow to react to competition from satellite. A new plan is due to be announced in the next couple of months. Because he is largely shunning the installation of completely new systems in favour of upgrading existing ones, its capital requirements will be much lower. Malone also hopes it will be more flexible.

He plans to use a variety of cost-effective technologies to create hybrid systems, in particular using digital compression to squeeze as many as 20 television channels into the bandwidth now occupied by one.

The upgrade will offer a 200-channel digital system only as an additional service, paying for itself from the outset as customers sign up.

With digital compression, Malone believes, you no longer need 120 analogue channels. It may be enough to have 60 channels of which 10 are used at ratios of 20 channels to one.

Further savings will come from cutting down on the use of expensive fibre-optic cables – which have virtually limitless transmission capacity. Only 11 per cent of the networks' mileage will be covered in this way; the rest will be handled by traditional coaxial cable.

There will be a different approach for small networks with 3,000-4,000 subscribers. In addition to their existing cable, they will have the new services delivered by satellite.

The re-evaluation has also changed Malone's mind on telepbone services. Rather than competing bead-on with the big telephone companies, be now thinks TCI's competitive edge lies in being the second telephone in the house – dedicated to Internet use, data, games and for the children to use.

Overall, Malone believes the cost of the new services can be cut from about $300 per home passed by the network to $75.

The final decisions bave not yet been taken but the "low-cost" plan is set to cost abont $1.2bn – wbicb Malone believes can be funded from existing resources. "Within a month or two we will be able to unveil what we think the optimum strategy is for our domestic networks. It will be surprisingly efficient and quick to accomplish."

Raymond Snoddy

Cyber sightings

● If you could have only one Web site, Research-It! from iTools (*www.itools.com/research-it/reseorch-it.html*) would have to be the one. iTools comprises dictionaries, translation services (including English to Japanese), maps, quotes and biographical libraries. There is the obligatory stock quote server, but, like much of the information, it is US-orientated.

● The Share Tips Review (*www.itmedio.com/stips/*) provides a comprehensive weekly roundup by e-mail of buy/sell/hold UK share tips given in more than 20 publications. Details include the price at which a share was tipped, a summary of why – and the change since being tipped. It claims to be completely independent, and takes credit cards through its secure server – still e rarity in the UK. A good service at £6 a month.

● Thinking of moving jobs and need to relocate? The Salary Calculator (*www.homefotr.com/homefair/cmr/salcalc.html*) provides cost of living estimates for hundreds of US and international cities, enabling yon to make an informed decision about whether your new salary is enough.

● Manus Hand is a very strange man. But the Dead Presidents page (*www.csn.net/mhand/Presidents/*), with photos of him at the graveside of virtually every US leader, provides biographies and links to resources on former presidents, including Richard Nixon's farewell speech.

● Jonathan Halsey, e compliance officer for e London asset management firm, has set up a resource for the profession at *http://ourworld.compuserve.com/homepages/jholsey/*, with ideas for how an investment firm's site should be organised and links to many financial regulators.

● Frustrated writers of letters to the editor whose thoughts fail to make it into the newspaper are guaranteed acceptance on the Virtually Dead Letters Page et *http://georgia.ncl.ac.uk/VDL/deadletters.html*.

Financial Times on the World Wide Web www.ft.com Updated daily

Travel News • Roger Bray

Gulf cuts routes

Gulf Air, the national airline of Bahrain, Oman, Qatar and the United Arab Emirates, will stop flying to four destinations next month as part of an effort to get back into profit.

Its last flight to Durban and Johannesburg will operate on February 4, returning to Bahrain the following day. The final service to New York will leave on February 13.

On the rails

A new high-speed rail link between Barcelona and Valencia is scheduled to open in March, cutting the journey time by 40 minutes to 2 hrs 50 mins.

When continuing track improvements have been completed, the journey will be shortened by a further 35 minutes. Trains running at speeds of up to 140 mph will depart from Barcelona's Sants station.

Africa alert

Watch out in west Africa. Muggings and attacks on foreigners are on the increase in Dakar, the Senegalese capital. Visitors are warned to stay vigilant and to avoid carrying valuables. Much the same advice goes for Conakry, the capital of Guinea, says the UK's Foreign Office.

Bulgaria bother

Meanwhile, there are shades of the Artful Dodger in the Bulgarian capital, Sofia, which has been the scene of mass anti-government demonstrations.

Pickpockets are operating in the city centre, the Foreign Office warns. There is a risk of robbery, sometimes with violence. Keep your wits about you always, but be especially careful after dark or when walking around the Sheraton hotel or the central station. It is best to leave credit cards and passports in hotel safety deposit boxes.

Bright sparks

Electric cars are now available for hire in Sweden. Hertz has dipped its toe in the water by adding four battery-powered Renault Clios to its fleet there. They have a top speed of about 86 kph (about 54 mph) and will run for 60 kms if fully charged. Rival Eurodollar also rents electric cars at five locations in Paris. But you have to reserve them through its French reservations centre (tel + 33 1 44 38 61 61).

Hotel points

With the re-marriage of Hilton Hotels Corporation and the Ladbroke-owned International Hilton brand comes the launch of a joint loyalty programme claimed to be the world's biggest. *Hilton Hhonors Worldwide*, which comes into effect on February 1, will be a souped-up version of its existing scheme.

By bringing in Hilton International it will allow guests to earn and redeem points at nearly 400 hotels and resorts in 50 countries, and will include Conrad *International and Vista* hotels. As well as earning hotel points, customers will qualify for frequent flyer miles with more than 20 partner airlines.

Slovenia switch

Inter-Continental is to assume the management of two neighbouring hotels in Slovenia. They are the 248-room St Bernadin Inter-Continental Resort and Conference Centre and the 273-room Forum St Bernadin Resort. Both are on the Adriatic coast between Piram and Portoroz, and will be marketed as meetings and incentive group destinations.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	10	[illegible]	10	9	[illegible]
Hong Kong	12	13	16	16	21
London	[illegible]	8	8	7	[illegible]
Frankfurt	4	6	6	7	7
New York	2	4	1	0	[illegible]
L Angeles	19	18	19	22	24
[illegible]	10	[illegible]	[illegible]	[illegible]	[illegible]
Paris	5	7	7	9	8
[illegible]	[illegible]	6	4	[illegible]	[illegible]

Information supplied by Meteo Consult of the Netherlands. Maximum temperature in Celsius

When there's no room at the inn

The end of the recession has meant rising hotel occupancy rates – and higher prices, finds **Scheherazade Daneshkhu**

I went to cover a meeting being held in an airport hotel in Manchester last week and needed a quiet room in which to write and file the story to London.

But the hotel was full and all the meeting rooms were taken as well. After much debate, the helpful staff finally found a room free for an hour between meetings.

Other business travellers have encountered similar experiences with full hotels, particularly in conference towns. And the effect is a hardening of room rates.

"You can't get a deal for love or money in places like Leeds and Harrogate," says David Giles, chairman of the hotel working party at the Guild of Business Travellers, the UK-based industry body. "The tide is turning. Two or three years ago people found they could turn up at a hotel and get a good late-availability deal. Now prices have gone up and there are no special deals."

The hotel market is buoyant, not only in Britain but in the US and in some of Europe's capitals. This is a result of strong growth in demand both from business and leisure travellers.

The consequence is a steep increase in hotel prices. They rose worldwide last year by between 15 per cent and 20 per cent, following a similar rise the previous year, according to American Express.

"Demand for hotel rooms continues to be very strong, particularly in the four-star and five-star sector," says Borge Ellgaard, vice-president of Amex's hotel relations division. "Cities which double as both business and leisure destinations – such as London, New York and Rome – have seen significant rises for the second year running."

The picture across Europe is patchy, with hotels in Rome pushing through high increases while rises in Paris are smaller: between 5 per cent and 10 per cent.

London hotels, particularly at the top end, have introduced some of the biggest increases. They rose by an average of 11 per cent in the nine months to last September 30 compared to 1995, according to Arthur Andersen, the accountancy firm, and are getting increasingly expensive. Third-quarter room rates last year showed a 13 per cent increase over the previous period compared to a rise of 10 per cent in the first quarter.

This has been driven by a sharp rise in occupancy rates, which improved to an average of more than 80 per cent in the third quarter. "This strong demand has allowed luxury hotels to increase published rates and reduce the volume of special rates on offer," says Arthur Andersen. The brunt of the increase is being carried by business travellers who account for 72 per cent of guests.

But hotels cannot afford to be complacent or too greedy, suggests Ellgaard. Unlike the 1980s, when companies seemed willing to pamper their employees by putting them up in expensive hotels, buyers are already starting to show resistence to paying higher prices, particularly at the upper end of the market, he says.

David Hendersen, travel manager at ITN, the UK television news company, is one example. The company usually books three-star or four-star hotels but intends to downgrade to three-star hotels rather than pay higher prices.

"Hotels should bear in mind that we all know the recession will hit again, and they should not forget their corporate clients in the good times," says Hendersen.

Andrew Fletcher, chairman of the Business Travel Liaison Group, an association of large corporate travel consumers, and company secretary of British Aerospace's military aircraft division, says that some hotel groups have put up rates more steeply than others. "Forte has gone up above the average," he says. "We're displeased with the level of increases and BAe is taking a view as to whether to place business out of them."

Forte, which was taken over a year ago by Granada, the TV and leisure company, says that it has made considerable investment in its hotels and that they offer good value for money.

"Our commercial business has not dropped off and we have just introduced a new corporate programme which guarantees that rates will be frozen until January next year," it responds.

Many companies are seeking to reduce hotel costs by narrowing their choice of hotels in favour of negotiating bulk deals with a few companies. Corporate culture is also changing, with less emphasis on status, leading to an increase in the popularity of budget hotels, says Fletcher.

But with buoyant demand around the world, the main problem can be availability rather than price, he adds. This means having to give greater notice of bookings, particularly in popular conference destinations.

Giles says that many companies faced with rising prices are placing their business with hotel groups which have value-added services. For the hotel companies, such services, including the addition of leisure facilities, are a way of retaining customer loyalty in an increasingly competitive market.

Stewards with an air of disdain

I enjoy being served by men in much the same way I assume that men like being served by women, Scheherazade Daneshkhu writes. There is something thrillingly pleasurable about having men sweep the floor at the hairdresser, wait on you at table and serve you meals in the air.

Too often have I boarded an aircraft, pleased to see the all-male crew, only to be bitterly disappointed. On a recent flight, a male steward caught my attention by snapping at a passenger who was using his laptop before take-off. "Put that away please," he said unsmilingly. "Put it away *now!*"

He served the snacks in the manner of someone doing us a favour. Not once during the short flight did a flicker of a smile cross his lips.

Perhaps he'd had dire news. Perhaps he had a terrible stomach-ache, but I find it difficult to imagine that a female stewardess could do the same. Nor is it untypical.

A female friend recalls a flight from Jakarta to Sydney. She was in business class, sitting next to a man, when the steward came down the aisle with the newspaper trolley. "Newspaper, sir? Newspaper for you, sir?" he said, and walked on.

"Excuse me," my friend called out. "I'd like a paper, too, please." There was a sharp intake of breath from the steward and a rolling of eyes before he informed her that the last copy of the newspaper of her choice had just been taken by the man sitting next to her.

"He clearly thought I was the wife/mistress/daughter of the chap next to me, with no thought at all that a woman might be travelling in her own right in business class," she says. "For the rest of the flight I didn't get offered second drinks, coffees, anything."

Some airlines are willing to risk their reputations by marketing their services on the looks, smiles and deferential qualities of their female employees. I doubt that any would contemplate doing the same with their stewards. Perhaps they should.

OPENINGS

AMSTERDAM
Sir Simon Rattle (right) conducts his first complete Wagner production tomorrow. He is the main attraction in the Netherlands Opera's revival of Klaus Michael Grüber's staging of *Parsifal*, with a cast including Poul Elming, Robert Lloyd and Violeta Urmana.

PARIS
An exhibition of ancient Cambodian sculptures, opening on Sunday at the Grand Palais, promises to be a highlight of the 1997 international art calendar. It re-unites works from the great Khmer collections of the Musée Guimet in Paris and the national museum in Phnom Penh. The show moves to Washington in June and later in the year to Tokyo.

The latest instalment in the Châtelet'a Stravinsky (right) festival is a staging of Le Rossignol conducted by Pierre Boulez. Thursday's performance is the first of six, each preceded by *Pierrot Lunaire* sung by Christine Schäfer. Boulez will also conduct a concert performance of *Le Rossignol* at London's Royal Festival Hall on February 16, as part of the BBC Symphony Orchestra's Stravinsky celebration.

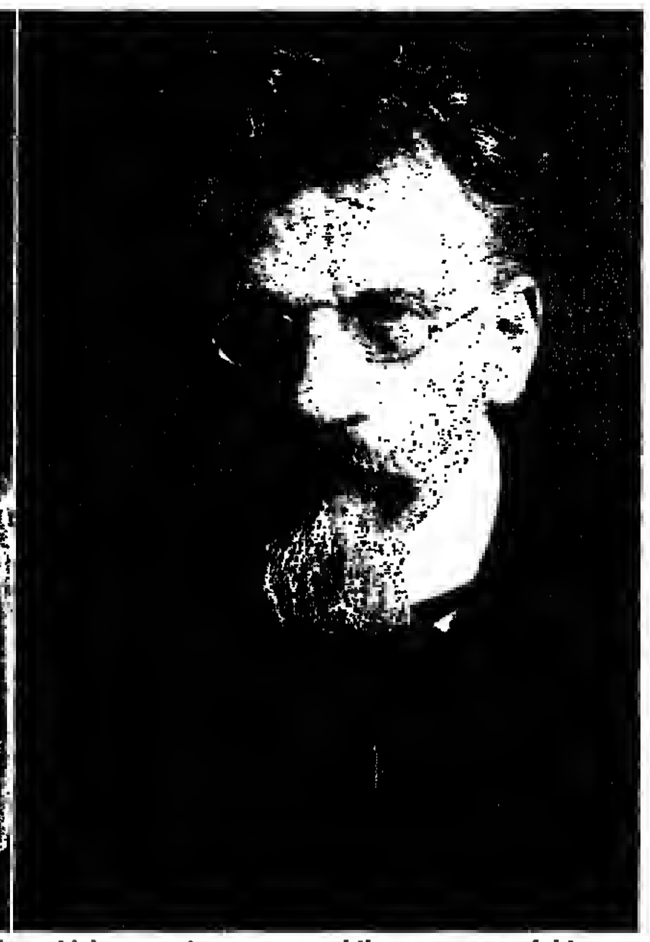
BONN
Since the construction of tha Centre Pompidou in Paris in the late 1970s, Renzo Piano has ranked among the world's best-known contemporary architects: his current projects include the new design of the Potsdamer Platz in Berlin. An exhibition opening at the Kunst- und Ausstellungshalle on Friday examines the way his projects develop from draft eketches to completion.

LONDON
Starting on Wednesday at the Barbican, Sir Colin Davis conducts the London Symphony Orchestra in a series devoted to the orchestral and choral music of Brahms, who died 100 years ago. Most of the concerts are preceded by recitals of Brahms songs, featuring distinguished vocal soloists.

"Young Gainsborough" (right), opening at the National Gallery on Wednesday, explores two principal themes of the artist'a early working life in London and East Anglia in the 1740s and 1750s: landscape and the conversation piece. The exhibition runs till the end of March.

BREMEN
Elgar's Pomp and Circumstance Marches will be the first music to resound in the Glocke on Friday, when one of Germany's best-loved concert halls re-opens after a two-year modernisation programme. Built in the late 1920s, the Glocke is renowned for its acoustics and a tradition extending back to Furtwängler and Klemperer.

COLOGNE
A rare German production of Joe Orton's farce *What the Butler Saw* opens at the *Schauspielhaus on Friday*. Hans-Michael Rehberg directs, and the cast includes Gerd Kunath as Dr Prentice and Joachim Bissmeier as Dr Rance.



'The full glory of angels and heaven': Thomas Moser as Palestrina in the Royal Opera's new production which opens tomorrow; and tha composer, right

In search of music from heaven

Andrew Clark explains why the opera 'Palestrina' is both so unforgettable and so rarely performed

First encounters with a great work of art can have a lasting impact – as I experienced with *Palestrina*, which tomorrow receives its first British professional production. One Sundsy in the early 1980s, I crossed the Berlin Wall for a performance of Hans Pfitzner's *magnum opus* at the Staatsoper, Communist East Germany'a premier opera house. When I arrived, the doors were shut. The place seemed dead.

Finding my way into an empty foyer, I was confronted by what sounded like an otherworldly vision radiating from the auditorium. An ettendant appeared, and told me the first act was sbout to end. I had missed the improvisatory gestures of the opening scene, I had missed Palestrina's argument with Cardinal Borromeo, I had missed the apparition of his musical ancestors, urging him to complete their mission. Stupidly, I had mistaken a 17.00 hrs start for seven o'clock.

Stuffing some hard currency into the attendant's hand, I slipped in and sat down just in time for the "full glory of angels and heaven", as Palestrina, comforted by the spirit of his dead wife, finds the creative inspiration to compose his great Marcellus mass. The crescendo subsided, Palestrina's pupil entered and the act ended in a blaze of tolling bells. I was entranced. Unknown to me then, I had caught the crux of the opera – and was able to catch up with a complete performance a few months later in Munich.

Palestrina is a three-act "musical legend" about the 16th-century Italian composer Giovanni Pierluigi Palestrina. Anyone who sees it staged is unlikely to forget it – bnt for every devotee, there will be someone who dismisses it as too long and too slow. To enjoy *Palestrina* you have to understand what is going on during all those protrected dialogues, and yon have to make some effort to get insids Pfitzner's musical world.

Palestrina was premiered in Munich in 1917 under Bruno Walter. With 42 solo parts, all but three of them male, it poses huge casting problems – which explains why it receives only occasional revivals in the largest German theatres. Julius Patzak is probably the best-remembered Palestrina. Max Lorenz sang it at Salzburg in 1955, Fritz Wunderlich in Vienna in 1964, René Kollo last year in Berlin. It needs e singer who can hold tha stage and look vulnerable. And the music demands e certain type of conductor – someone with a feeling for German tradition, whose inner clock doesn't tick too fast. Reginsld Goodall would have done it well; Kempe, Hollreiser and Sawallisch had the right temperament – as does Christian Thielemann, who conducts the Royal Opera's new production.

So why *does Palestrina* take such a hold? Why is it worth performing? The reasons have bittle to do with Pfitzner's personality or the political significance of his career. Born in 1869, five years after Richard Strauss, he was regarded in his mid-30s as one of the outstanding German composers of his generation: his first two operas, *Der arme Heinrich* and *Die Rose vom Liebesgarten*, enjoyed more recognition than Strauss's earliest essays. But in his 40s, while juggling his duties as music director in Strasbourg with composition of *Palestrina*, he evolved from a respectable musical conservetive into an embittered polemicist.

For Pfitzner, as for many of his compatriots, the decline of German Romantic music was a symptom of national decadence; Schoenberg and others who encouragad it were agents of decay, if not traitors. Pfitzner saw the world through nationalist spectacles, and under the impact of the first world war, his nationalism grew more and more strideut. In his 1920 pamphlet "Die neue Aesthetik der musikalischen Impotenz" (The new aesthetic of musical impotence), he allowed himself to be carried from purely musical issues onto political ground. What began as an assault on claims that a new age demanded new music, ended in e wild attack on the influence of Jews in German musical life.

Although Pfitzner's last opera, *Das Herz*, was premiered simultaneously in Berlin and Munich in 1931, be became increasingly isolsted, out of sympathy with the vital forces of his period. Contrary to widespread belief, he did not become a Nazi – be was too abrasive, too idiosyncratic; and while some of his earlier writings gsve e foretaste of National Socialist ideology, he enjoyed surprisingly little favour during the Third Reich. After the second world war, the Vienna Philharmonic came to his aid when ha was discovered in penury in a Munich old folks' home, and be died in Salzburg in 1949.

While the modern producer of *Palestrina* would be foolish not to take all this into account, the work does not lend itself to interpretation through the looking-glass of its composer's life and times – unlike Wagner's *Meistersinger*, where an anti-Semitic reading of Beckmesser can be justified. True, *Palestrina* has an agenda – the defence of conservativa musical values – but no more so than, say, *Wozzeck*, in which Berg pleads for a victim of modern social experimentation. *Palestrina* makes little sense outside its Renaissance setting.

But the parallels between the early 20th century and the late 16th were what drew Pfitzner to his subject. Like Palestrina, Pfitzner lived in a period of musical and political confusion. In his eyes, Palestrine's Marcellus mass reaffirmed the eternal spirit of pure music; by the same token, Pfitzner wanted to purge music of all the corrupt elements that late Romanticism had brought. He saw himself as a latter-day Palestrina, the preserver of musical civilisation.

> *Hans Pfitzner saw himself as a latter-day Palestrina, the preserver of musical civilisation*

Nevertheless, it is hard to accept Thomas Mann's description of Pfitzner es "the lest Romantic". His early operas may have lush 19th-century foundations, but the later works clearly belong to the 20th century, in a style all of their own. Listen to the two cello concertos, and you'll discover harmonic combinations and melodic turns of phrase that no one else would have used. Pfitzner always talks more conservatively than he sounds. His music has nothing in common witb Korngold's over-sweet late Romanticism or Schreker's meandering sensationalism. He never bad their wild successes; his style was stricter, more ascetic, which made it harder for him to win acceptance.

Among Pfitzner's works *Palestrina* is unique: it has a spare, unostentatious, archaic quality, which suits its composer's classical Romanticism as much as it does the Renaissance setting. There is uothing illustrative about it. He uses motifs only to identify characters and situations – a theme of *old-fashioned* grandeur to portray Rome, an improvisatory motif to deuote Palestrina's avant-gardist pupil. The music conveys s spirit over and sbove what occurs on stage. That was Pfitzner's peculiar gift.

Once you have come to terms with the music and its composer's thorny reputation, you can start to grapple with what *Palestrina* is really sbout. Like Busoni's *Doktor Faust* and Hindemith's *Mathis der Maler* (ironically, the work of composers representing everything Pfitzner detested), it deals with the creative artist's relationship to society, his reactiou to the world around him and his struggle to create. The opera resembles a lop-sided triptych. Acts One (90 minutes) and Three (30) portray the artist isolated from society; Act Two (90) is a sarcastic portrait of that society, represented by the Council of Trent and its ugly machinations. Here are two worlds confronting each other – the spiritual life of the artist with his mind on eternity, and the temporal demands of the Church.

The audience's reward for listening patiently to the slow-moving first 70 minutes is the dictation of the mass, which – if staged sympathetically – makes for a tremendously exciting climax to Act One. Much of Act Two, with its doddering cardinals and national rivalries, is amusing and true to life. The third act mixes wisdom and resignation.

In sum, *Palestrina* is a fascinating work, and I am really looking forward to reuewing acquaintance with it tomorrow. The Royal Opera has put together an impressive cast. And make no mistake, the performance begins at six.

***Palestrina*, conducted by Christian Thielemann and staged by Nikolaus Lehnhoff, is performed at London'a Royal Opera House on January 28, February 1, 6, 10, 15 and 19 (0171-304 4000).**

Cabaret

The Ab Fab and It girls

The press meterial announcing the return of the cabaret gronp Fascinating Aida to the West End comes brandishing a qnote from the Mail on Sunday: "See them before you die, otherwise your life will have been meaningless." Well, perhaps that is over-stating it just a "teensy-weensy" bit, as the girls would say. But it is certainly one of the most exquisitely-polished shows you are ever likely to see.

The style, timing and delivery of the present company – Dillie Keane, Adèle Anderson and Issy van Randwyck – are flawless. And it is a measure of how enchanted their audience is that, as the curtain goes up, they receive a round of applause just for *being* there.

Their new show, *It, Wit, Don't Give A Shit Girls* (directed by Nica Burns) is a charming confection of songs light and dark, satirical and sad, most of them written by Dillie Keane. There are a conple of really rather moving numbers about lost love and loneliness, and some clever social comment almost along the lines of Flanders and Swann.

But the threesome are at their most enjoyable when on *Absolutely Fabulous* territory, satirising the sort of girls who have more frocks than brain cells and bemoaning the lot of the not-so-young single woman ("coming, as we do, from the twilight zone of the heterosexual"). Most delicious are "It Cirls" ("Thank the Lord we're thick and thin"); "New Man" (ou the shortcomings of the reconstructed male of the species): and "Mnch More Married" (a mistress gradually realises that her lover is "qnite a lot more married" than he said).

Thay rejoice in exploding the conventions of the format they have chosen, lumbering around the stage like baboons, doing gymnastics ou chairs or kangaroo-hopping, despite the flowing evening dresses and dangerously-dangling earrings. Occasionally, their reputation for being a bit risqué drives them into terrible one-liners, such as "Horlicks: sounds like the kind of drink that Hugh Grant might enjoy". But still, who's quibbling? This is a witty, brittle, pretty show, as perfect and perky as the sequins whose virtues they extol in tha final number.

Sarah Hemming

Vaudeville Theatre, Loudon WC2, to February 16 (0171-836 9987)

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Louis Lortie: the pianist performs works by Chopin; 8.15pm; Jan 28

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● Twintig Jaar Beeldende Kunst in Suriname, 1975 - 1995: thia exhibition gives an overview of the art produced in Surinam over the past two decades. Included are some 135 paintings, sculptures and works on paper, created by 24 artists; to Feb 18

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Berliner Sinfonie-Orchester: with conductor Claus Peter Flor, soprano Marilyn Schmiege, baritone Ludwig Baumann and pianist Rudolf Buchbinder perform works by Beethoven and Zemlinsky; 8pm; Jan 31; Feb 1, 2

■ COLOGNE

CONCERT
Kölner Philharmonie Tal: 49-221-2040820
● Thomas Quasthoff: performance by the baritone, accompanied by pianist Maria João Pires. The programme includes work by Schubert; 8pm; Jan 30

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden Tel: 49-351-49110
● *La Bohème*: by Puccini. Conducted by Hans-E. Zimmer, performed by the Sächsische Staatsoper Dresden. Soloists include Svetlane Katchour, Eva Kirchner and Jorge Lopez-Yanez; 7pm; Jan 28

■ HAMBURG

CONCERT
Musikhalle Hamburg Tel: 49-40-346920
● *NDR Sinfonieorchester*: with conductor Günter Wand perform works by Schubert; 8pm; Jan 31; Feb 1

■ LONDON

CONCERT
Wigmore Hall Tel: 44-171-9352141
● Alfredo Perl: the pianist performs works by Beethoven; 7.30pm; Jan 28

EXHIBITION
National Portrait Gallery Tel: 44-171-3060055
● The Art of the Picture Frame: exhibition focusing on tha history of the picture frama in Britain, exploring themes of style, function, technique and perception. On display are 180 frames, with work by Lely, Reynolds, Romney, Stubbs, Lawrenca, Rosetti, Madox Brown, Sargent, Augustus John and Sutherland; to Feb 9
Spink & Son LTD. Tel: 44-171-9307888
● *World of Watercolours Fair*: exhibition of work by noted 18th and 19th century British artists including William Callow, JF Lewis, Peter De Wint, Thomas Rowlandson and William Wyld; from Jan 29 to Feb 2

OPERA
London Coliseum Tel: 44-171-8360111
● Der Rosenkavalier: by R. Strauss. Conducted by David Atherton, performed by the English National Opera (in English). Soloists include Susan Parry, Yvonne Kenny and John Tomlinson; 6.30pm; Jan 29
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Palestrina: by Pfitzner. Conducted by Christian Thielemann, performed by the Royal Opera. Soloists include René Pape, Thomas Allen and Kurt Rydl; 6pm; Jan 28

■ LOS ANGELES

OPERA
Dorothy Chandler Pavilion Tel: 1-213-972-8001
● Tristan und Isolde: by Wagner. *Conducted by Richard Armstrong*, performed by the L.A. Opera. Soloists include Siegfried Jerusalem, Jana Henschel, Timothy Mussard and Malcolm MacKenzie; 6.30pm; Jan 29

■ NEW YORK

AUCTION
Sotheby's Tal: 1-212-606-7000
● Old Master Drawings: highlights of the sale include works by Le Moyne ("Hollyhocks") and Raphael ("Studies of the Christ Child"); 10.15am; Jan 29

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● The Chamber Music Society of the Lincoln Center: with conductor David Shifrin, violinist/viola-player Pinchas Zukerman and pianist Marc Neikrug perform works by Brahms; 7.30pm; Jan 28

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● I Puritani: by Bellini. Conducted by Edoardo Müller, performed by the Metropolitan Opera. Soloists include Ruth Ann Swenson, Thomas Hampson and Alastair Miles; 7.30pm; Jan 28

■ PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Deutsche Kammerphilharmonie Bremen: with conductor Frieder Bernius, soprano Sybilla Rubens, mezzo-soprano Martina Borst, tenor Michael Schade, bass Cornelius Hauptmann and the Kammerchor Stuttgart perform works by Schubert; 8.30pm; Jan 31

THEATRE
Odéon - Théâtre de l Europe Tel: 33-1 44 41 36 38
● Reflets: by Bailly/Deutsch/Duroure/Lavaudant. Directed by Georges Lavaudant, performed by tha Maly Theatre Company of St Petersburg (in Russian); 6pm; from Jan 30 to Feb 3

■ THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
● Max Ernst: exhibition featuring a wide range of sculptural work by the artist who becama a leading light of the surrealist movement. The exhibition is held at the Municipal Art Gallery; to Feb 22

■ VALENCIA

CONCERT
Palau de la Música i Congressos Tel: 34-6-3375020
● Orquesta de Valencia: with conductor Garcia Navarro perform works by Wagner, Ginastera and Berlioz; 8.15pm; Jan 31

■ VIENNA

OPERA
Wiener Kammeroper Tel: 43-1-5120100
● Dona Francisquita: by Vives. Conducted by Lluis Vila i Casanas, performed by the Wlaner Kammeroper (in German). Soloists includa Monica Theiss, Lorena Espina, Sulie Girardi, Lubica Grecova and Cesar Gutierrez; 7.30pm; Jan 29
Wiener Staatsoper Tel: 43-1-514442960
● L'Elisir d'Amore: by Donizetti. Conducted by Bartrand de Billy, performed by tha Wiener Staatsoper. Soloists include Simina Ivan, Anat Efraty and Paul Groves; 8pm; Jan 29

■ WASHINGTON

EXHIBITION
National Museum of African Art Tel: 1-202-357-4600
● A King and His Cloth: Asantehene Agyeman Prempeh I: exhibition focusing on the life and times of Prempeh, who served as king of the Asante nation (present day Ghana) in the late 1800s. The exhibitition'e centrepieca is the adrinka cloth, worn by the king and decorated with 23 motifs; from Jan 29 to Mar 23

■ ZURICH

OPERA
Opernhaus Zürich Tel: 41-1-268 6666
● Die Zauberflöte: by Mozart. Conducted by Nicholas Cleobury, performed by the Oper Zürich. Soloists includa Elena Mosuc, Margaret Chalker and László Polgár; 7.30pm; Jan 28

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08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

Out in Europe

Britain will sooner or later have to choose between giving up the pound or leaving the European Union

Like John Major (and most of the British political establishment), I wish European economic and monetary union were not about to happen. Unlike the prime minister, I do not think we can pretend it will go away. The challenge for the next British government will be to ensure that a near-inevitable decision to stand aside at the outset does not crack the foundations of the nation's commitment to Europe.

I see no theological objection to merging currencies. The pound, the franc and the D-Mark, after all, merely represent different ways of counting beans. As for national sovereignty, it has always seemed to me to be a resource to be deployed to the best advantage of the nation, rather than a dusty relic to be hoarded in a never-opened attic.

It is also a mistake to suppose the fall of the Berlin Wall removed the principal purpose of closer European integration. The big wars in Europe have not been fought between capitalism and communism. We cannot wish away Germany's position as the Continent's most powerful nation. And Britain, history reminds us, cannot exempt itself from conflicts among its neighbours.

But for many in Britain who cheerfully wear the pro-European label, the countdown to Emu carries an inescapable foreboding.

The economics look at best dubious, especially now Spain, Portugal and Italy have staked a claim to stand in the vanguard alongside Germany, France and the Benelux countries. The Maastricht design of an independent central bank reinforces the risk that Emu will be seen as a project of the political elites rather than of its peoples.

This central bank model works well in the particular environment of the German Federal Republic. There can be no such confidence that the formula can be extended across the rest of the Continent. The Bundesbank's authority is embedded in the political consent of the German people. In this essential respect it is accountable.

The rush to fiscal deflation in order to meet the Maastricht criteria amplifies the danger of a severe dislocation between the aims of the new central bank and the aspirations of the citizens it is presumed to represent. The proposed structures are undemocratic. If the economic going gets rougher, the bank will be an easy target of discontent.

These arguments have been well-rehearsed. Yet the political will in Paris and Bonn to press ahead seems as ineluctable as ever. Mr Major might be proved technically correct when he says Emu is unlikely to start on 1 January 1999. A delay of six months or a year is entirely plausible. But it would make precious little difference to Britain's dilemma.

The latest precarious compromise struck within Mr Major's cabinet confirms what we already knew. Officially, it is deemed "highly unlikely" that it would sign up to the first wave of Emu. In reality, a re-elected Conservative government would not abolish sterling during the lifetime of the next parliament, if ever.

> A nation which stays outside the euro and the revamped exchange rate mechanism, will be denied any say in European-wide exchange rates

Mr Kenneth Clarke, the chancellor, says he has preserved the possibility of a change of heart. He has not. When he put his signature to the latest concordat in the prime minister's House of Commons office last Wednesday evening, the Eurosceptic ratchet turned another notch. Mr Clarke is isolated in his belief that the two-way option taken out by Mr Major at Maastricht is anything more than a fast-fading mirage.

If Tony Blair wins the election, the position would be the same but different. Like Mr Major, he is doubtful that Britain can be in the vanguard of Emu. It would be curious, to say the least, for the first Labour government in a generation to risk everything on such a gamble. But beyond 1999, Mr Blair has a far more open mind. His instincts tell him that, assuming the single currency works, Britain will join.

The mistake both main parties make, however, is to assume the decision will rest entirely in their hands. It will not be so. Others in Europe are already beginning to pose what will soon become the $64,000 question on both sides of the channel: if Britain stayed outside Emu could it nonetheless continue as a full member of the European Union?

The answer is yes – but not indefinitely. And maybe not for very long. In the unfortunate jargon of the enterprise, Britain's partners could tolerate an interlude during which sterling was considered a "pre-in". But if it sought to remain a permanent "out", the price would be a progressive diminution of access and influence in the wider business of the Union.

Whatever the differences now between Paris and Bonn over the former's proposal for a ministerial stability council to oversee the central bank, a political dimension to Emu is inevitable. The euro zone will define Europe's political, as well as its economic, centre of gravity. The divide between core and periphery will be widened both by a proposed new flexibility clause in the EU treaty and by enlargement to the east.

Britain should not underestimate the perception elsewhere in Europe that, ultimately, the single market and the single currency will be indivisible. The French, in particular, live in terror of competitive devaluations of currencies outside the euro bloc.

Thus the design of Emu deliberately discriminates between those obliged by circumstance to stay in the waiting room (the pre-ins) and those who willingly decide to do so (the outs). A nation which stays outside both the euro and the revamped exchange rate mechanism, for example, will be denied any say in European-wide exchange rate matters. This little-noticed provision of the recent accord among finance ministers is the thin end of a very thick wedge.

The best guess we can make now is that the single currency will become a reality around the turn of the century and fairly quickly will begin to generate strong centrifugal forces within the Union.

The occupant of 10 Downing Street will have to work a great deal harder to make Britain's voice heard. If sterling is seen as an "out" rather than a "pre-in", the task may be impossible. The eventual choice will probably be between giving up the pound or leaving the Union. And that moment of truth may come a lot sooner than anyone now supposes.

An updated edition of Philip Stephens' book, Politics and the Pound, *is published this week by Papermac.*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.ft.com *Translation may be available for letters written in the main international languages.*

Japan's aim is liberal air regime

From Mr Norifumi Ide.

Sir, I should like to make a few comments on your editorial "Flying low" (January 21), which clearly derives from misunderstandings about the Japanese position on international civil air transportation. Your assessment that our view is a "risible" protestation by "a deeply conservative bureaucracy to preserve power in defiance of economic efficiency" is unfounded.

I would like you to know that our objectives are to build a more liberal and competitive scheme in the field of international air transportation. The methodology to achieve the objectives may differ from country to country. We are convinced they should be sought, solving most likely problems such as monopoly or oligopoly whereby a few mega-carriers' dominant share of slots at major congested international airports prevents fair, workable competition in the market.

Norifumi Ide,
director of international air transport division,
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Tokyo, Japan

Airports must plan for bigger aircraft

From Mr Michael Maine.

Sir, Jim Bailey, county planning officer at Surrey County Council, is wrong to suggest that we should not be planning our airports to cater for larger aircraft in the future (Letters, January 24).

BAA's proposal for a fifth terminal at Heathrow assumes larger aircraft than the 747-400 for the simple reason that this is the way the industry is moving. Both Boeing and Airbus Industries are looking to aircraft getting larger in the future. Airbus has made it clear that it is forging ahead with its A3XX programme to develop an aircraft capable of carrying up to 800 passengers. Indeed, Boeing's own statement said: "Boeing will continue studying plans for air planes capable of carrying more passengers than today's 747. This remains one of the priorities of our product development efforts."

Like all airport operators BAA needs to plan up to 20 years ahead. Terminal 5 is designed to accommodate jets with an 85-metre wing span because these will be the aircraft of the future. This is good airport planning and the way almost every international airport is moving. It would be foolish and extremely costly for any airport to have to change its airport layout 10 or 20 years down the line because it had ignored industry trends and failed to plan sensibly.

I believe we have got the balance right. Bigger jets will be with us in the future and, with Terminal 5, Heathrow will be able to cater for them and continue, as the world's leading international airport, generating business, jobs and investment for Britain. Let there be no doubt, if we don't, our European competitors will.

Michael Maine,
group technical director,
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Gatwick Airport,
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Advice on EU rights available at local outlets

From Mr Geoffrey Martin.

Sir, The anonymous officials and diplomats quoted in your article "Britons 'in dark' about EU" (January 16) and in an earlier report "Citizens First comes last" (November 26) are evidently unaware of the extent to which the European Commission's policy of decentralisation in the UK is well under way.

The initiative to inform citizens about their rights in the single market is not being run from Brussels, but by the Commission's representative offices in each country.

Information must be available according to the circumstances and perceptions about the EU prevailing in each member state if it is to be effective and of value to the public. In Germany, for instance, the concentration is on the euro, not on citizens' rights.

Other member states have concentrated on advertising campaigns to draw attention to the initiative. The UK, however, has a substantially greater number of outlets – about 7,000 – already in use to disseminate European information. The Commission's UK representative office answers more than 6,000 inquiries a month and replies to 1,500 letters. Given this different approach reports about small numbers of people ringing a central "hotline" in Brussels are misleading.

Information in the UK is more widely available than observers at the "centre" in Brussels may realise.

Geoffrey Martin,
head of the representation in the UK,
The European Commission,
8 Storey's Gate,
London SW1P 3AT,
UK

Great value in joint research

From Professor Roger Van Overstraeten.

Sir, I refer to your report "Esprit funds for Japanese" (January 21), and would like to comment on the long-term research action project within Esprit which is referred to.

The overall funding for the project totals Ecu2m – not Ecu3.2m. The project leader is L2M, the microstructures laboratory of the French National Centre of Scientific Research. Other partners are laboratories from France, Belgium, Germany, Greece and the UK. They include the Hitachi Cambridge Lab in the UK which has made essential contributions to the single electron technology in the past. Imec of Belgium, an industrial laboratory, is also involved.

The project will benefit European research in the area of single electron technology. The Hitachi Cambridge Lab brings to the project, and shares with its partners, valuable expertise not available elsewhere in Europe.

I believe Esprit long-term research should be congratulated for investing in a project and a partnership that might open new perspectives in European research for next generation memory chips.

It is not the first Esprit joint effort with other parts of the world. In September 1995 Esprit organised the International Conference on Future Information Processing Technologies, in collaboration with Japan and the US. Such collaboration and exchange of information is essential for the progress of long-term research.

Roger Van Overstraeten,
president,
Imec,
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Belgium

Seeds of stability

Yoweri Museveni tells **Quentin Peel** the philosophy behind Uganda's success

Yoweri Museveni, the president of Uganda, looks a thoroughly unlikely revolutionary.

In a European setting, he looks more like an avuncular businessman, with a touch of the schoolmaster about him: a shining bald pate, with half-moon spectacles. He is a bit portly these days, but with an irrepressible twinkle in his eyes.

But the man who is now a favourite son of the International Monetary Fund is also a thoroughly unlikely capitalist. A former freedom fighter – he disputes the adjective *Marxist* – Mr Museveni spent 15 years building an army in the bush to oppose first Idi Amin, and then Milton Obote, before finally coming to power himself in 1986.

In truth, he is more than a bit of both. And he is happy to leave his audience confused about his real inspiration. "I am a free thinker," he says. "I am very aware of what Karl Marx said, and what Adam Smith said. They both shed light on the problem of producing wealth in society and how to distribute it."

Since he came to power, he has presided over the transformation of his country from the devastation of two decades of dictatorship. He revived its market economy and commercial agriculture, and laid the foundations of what he calls "non-party democracy".

The result has been a decade of economic growth averaging 6 per cent a year, a revival of foreign investment interest, and the establishment of Uganda as a haven of relative stability in a turbulent region.

In effect, Uganda has been transformed from one of Africa's worst economic and political disasters into a model for the rest of the continent. It is an extraordinary achievement.

"My ideology is modernisation," Mr Museveni says. "The question is whether to use socialism [to that end], which means central planning, or whether to use the free market."

In spite of a background steeped in the socialism of the 1960s, and the heady rhetoric of pan-Africanism and anti-colonialism of Dar es Salaam university, his pragmatic choice has been for capitalism.

He still clearly feels the need to justify that choice, perhaps as much to himself as to his former comrades in arms. He does so with an

Graham Whitby

Yoweri Museveni: both revolutionary and free-marketeer

idiosyncratic mixture of homespun imagery, socio-political jargon, and basic common sense.

"After careful examination, we think it is right to use private enterprise as a more suitable means to the same end," he says. "We must modernise. That means three things: industrialisation, modernising agriculture, and developing the human being. The question is what stimuli can we use to cause these things to happen.

"We looked at central planning, and found its limitations: the absence of motivation. That leads us to understanding human nature: are they selfish or altruistic? We came to the conclusion they are selfish. So we let loose their selfish instincts to work day and night to fulfil their selfish interests – and in that way they build our economy.

"Others have Utopianism," he says, disarmingly. "We don't have such illusions."

He justifies his choice of "no-party" democracy in a similar way. Societies are like butterflies, he says, going through a transition from egg to caterpillar, to pupa, and finally to fully fledged butterfly. Western societies have made the full transition. African ones are stuck in the caterpillar stage.

He blames colonialism for taking them backwards – from feudal society back to the pre-feudal – without even landlord and artisan classes to leaven the lump of the peasantry. In such a primitive society, the natural allegiances are tribal, or religious. In such circumstances, multiparty democracy will simply aggravate explosive differences, he believes.

On the other hand, one-party rule proved almost equally divisive in Uganda. Former president Obote exploited the system to play off tribes and religious groups against each other, even within his own party. Hence Mr Museveni's preference for no parties at all.

Whether it will prove to be a viable democratic alternative has yet to be demonstrated. Mr Museveni won 74 per cent of the vote in last year's presidential elections, widely regarded as a genuine exercise in democracy, even if his principal opponent predictably cried foul. At least it was not 99 per cent.

The missing ingredient in society, both for political stability and economic development, is a strong middle class, Mr Museveni believes. "Ethnicity is not the problem. It is social underdevelopment," he insists. "The middle class helped you [in Europe] to come from tribal to developed societies."

He also blames the collapse of the old East African Community – the integration of Kenya, Uganda and Tanzania – on the absence of a middle class. "There was no group which was production-oriented ... and which was looking for markets," he says.

Today he believes there is a much better chance for the effort to revive east African co-operation "because the middle class is emerging" in the shape of manufacturers, traders and big farmers who all understand the need for a larger market than Uganda's 20m people can provide.

He does not want aid from the west, he insists, but simply investment, trade and tourism. "And maybe soft loans for infrastructure," he adds as an afterthought.

Mr Museveni blames colonialism, and what he calls western imperialism, for many of his continent's ills. In his forthcoming autobiography *Sowing the Mustard Seed, The Struggle for Freedom and Democracy in Uganda* (Macmillan), he tells how, by curious irony, his very name is part of that colonial heritage. He was called Museveni after the Abaseveni, Ugandans who served in the 7th Battalion of the King's African Rifles in the second world war.

He sees Uganda's greatest tragedy since independence – the bloody rule of Idi Amin – as a direct consequence of British colonial rule. Amin was a product of the dual power structure of British officers and African auxiliaries, created in the military as well as in the civil service, and then promoted far beyond their capacities.

"We have lost 30 years of our lives under those sergeants," he says. And yet he harbours little apparent bitterness, for all those years in hiding, and for all the friends who lost their lives in the struggle. Perhaps the name of his second daughter, Patience, is what he best learned in the bush.

COMMENT & ANALYSIS

FINANCIAL TIMES
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Monday January 27 1997

Swiss and the Holocaust

The thorny issue of Holocaust victims and the Swiss banks seems to be edging towards resolution. Both the banks and the Swiss government now talk of creating funds to compensate descendants of Jews who sent money to Switzerland and did not live to retrieve it. That is much to be welcomed: but it is only a start.

Some in Switzerland may feel they are succumbing to blackmail, in the form of the World Jewish Congress's threat of a banking hoycott. There is an element of that. But the fact that the row has reached this level shows the underiying issue is not about money. Rather, it concerns Switzerland's reluctance to confront its behaviour in the Nazi years: specifically, its policy of turning away Jewish refugees while accepting their money.

It is worth recalling how the issue first blew up. From the Swiss banks' viewpoint, compensation for Jews in the non-communist world had been settled by the 1960s. But with the fall of communism in 1989, new claims emerged from eastern Europe. The first reaction of the banks was dismissive: all that, surely, was ancient history. Subsequent events suggest this was a damaging and perhaps revealing mistake.

But if the fundamental argument is not abont money, money is still an issue. Among the claims and counter-claims, a potentially dangerous gulf has opened. According to the Swiss banks, the maximum figure involved is SFr40m (around $30m). Nonsense, says the World Jewish Congress. The true figure is around $7bn.

Broad definition

How are we to reconcile the two? The Swiss figure represents the total held in Swiss bank accounts opened before 1945, and which have lain dormant for the past decade. That is a very broad definition, covering all war victims, by no means all of them Jewish.

There is no reason to doubt the figure, as far as it goes. There have been allegations of Swiss banks destroying records. There is no avidence that they have systematically broken Swiss banking laws by closing accounts and filching the proceeds.

But the figure needs adjusting on at least one count. The definition excludes any accounts opened by Nazis under assumed names to hide their loot, if they are still being actively enjoyed by their descendants. It may be impossible to establish to whom that money belongs: but as the product of theft, it belongs neither to the descendants nor to the banks.

Matter of record

The World Jewish Congress's $7bn will not quite do either. It aims to include all assets – casb, art, insurance policies, licences – sent by or taken from Jews *in the first instance* to Switzerland from Nazi-occupied Europe. But it is a matter of record that a great deal of money was sent on from Switzerland to the US in the period 1938-40, on the assumptioo that Switzerland would fall to the Nazis.

At the end of the war, the US retained $100m of that money as being from Nazis or their collaborators. It subseqnently returned a further $500,000 as demonstrably due to the heirs of Holocaust victims. The former figure shows the dangers of donble counting: the latter, the difficulty of doing justice, on a narrow legal basis, to victims' descendants.

This brings us back to the central question of a just settlement. In the end, legal claims to unclaimed bank deposits will take care of themselves. Moral claims are another matter.

It seems increasingly clear that Swiss banks and Swiss citizens should make a collective payment, not merely to depositors' heirs but to Jawish charities in general. It seems equally clear that the amount cannot be narrowly accounted for on an historical basis. Any payment is by way of a symbolic apology: and the amount can only be settled by agreement with those to whom the apology is due.

Time for a date

The contestants are manoeuvering for position, the flag is ready to go up, but the race to become the next UK government still waits for the off.

By the end of today, the Tories at least should be ready. Mr John Major's cabinet meets at Chequers, the prime minister's official residence, to approve the efforts of 20 working parties which have been compiling the Conservative election manifesto.

British political debate has been numbed for many months by the rival visions of a low cost Utopia. Last week the Tories offered a new £60m Royal yacht and lots of uniforms for the schoolboys and girls who want to play soldiers. Labour prefers to lock them up at home after curfew time, with extra homework to keep them busy.

Mr Tony Blair plans to sweep the streets clean of criminals with "zero tolerance". Mr Michael Howard, the home secretary, indefatigable in the cause of incarcerating offenders, has filled the jails and ordered a prison ship from the US.

It may seem churlish to blame the two parties for trying so hard to gain popular applause, when there is so little between them on economic issnes. Labour's efforts to appear as conservative as possible on taxing and spending has wrongfooted the Tories. Last week's promise by Mr Gordon Brown, shadow chancellor, to adopt the Conservatives' very tight public spending totals for the next two years is one benign effect of the battle for the ratings. So, up to a point, was the Labour pledge not to raise income tax rates above present levels.

Friend of enterprise

Public relations pressures may have been partly responsible for both announcements. But, taken together with the party's efforts to appear a friend of enterprise, they help to define New Labour's determination to occupy the pragmatic centre of politics.

For the Tories, meanwhile, serious definition remains incomplete. At the manifesto meeting today, ministers will need to decide the degree to which they should project themselves as radicals, seeking to carry forward the privatisation and deregulation themes of the Thatcher era. Most likely they will opt for a moderate image: staying on track with present reforms, but not branching into markedly new ones.

Now there is everything to be said for a speedy move to the next election phase. The parties' manifestos will define as clearly as such documents ever do the territory which they intend to occupy. Beyond them, there is much to be feared from a prolonged Dutch auction of pledges which the winner may well have cause to regret.

Fiscal policy

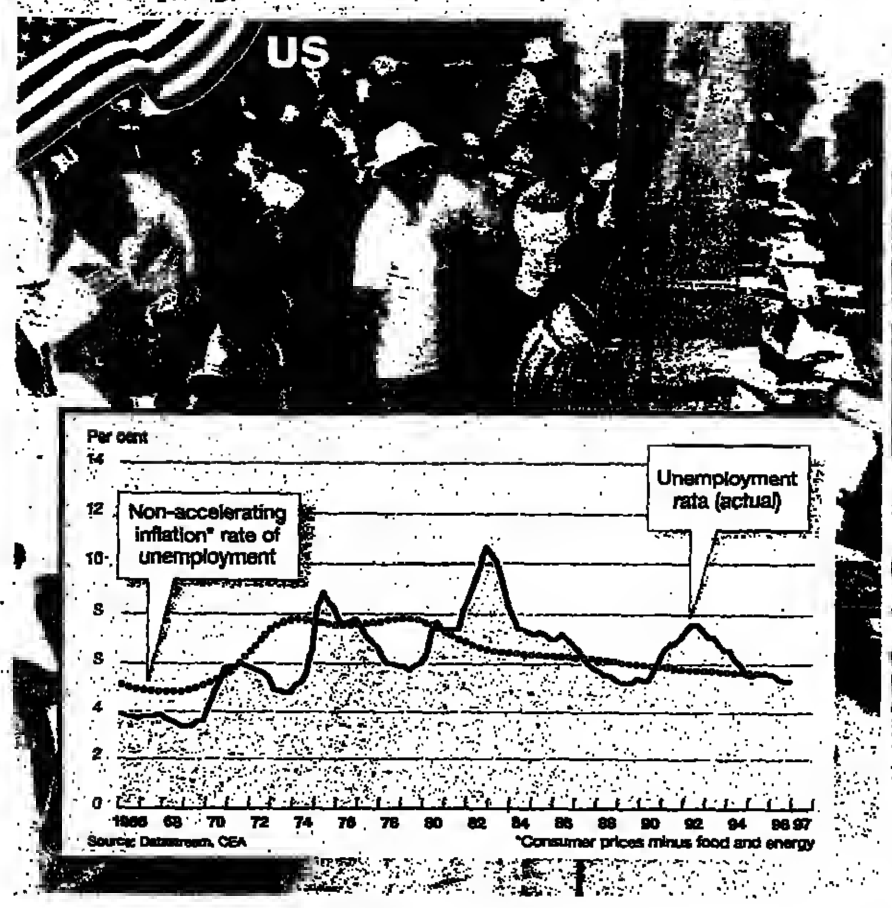
The worst danger, perhaps, is that the parties will compete with unconsidered promises on tax. Labour's pledge to cut value added tax on fuel is one example. A half-promise on a radio programme by Mr Kenneth Clarke, the chancellor, that he would not put value added tax on food was another.

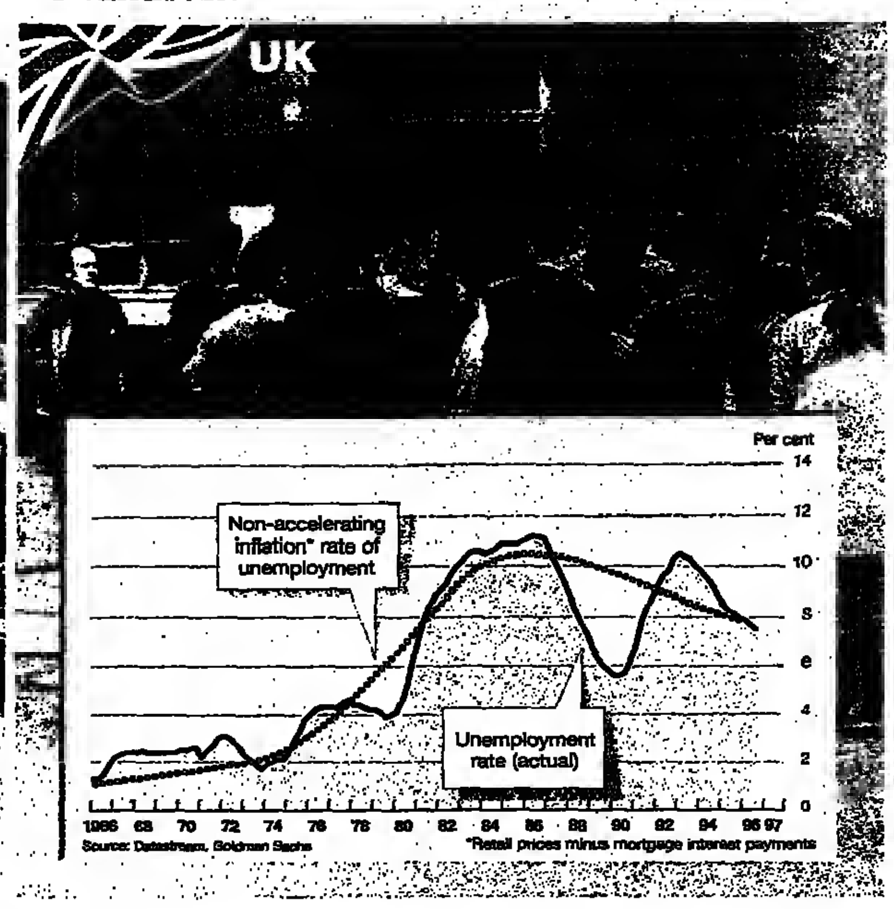
Whatever the merits of particular schemes, each promise narrows the options of a future government which will almost certainly have to raise substantial amounts of extra tax if it is to meet either party's commitments to a prudent fiscal policy. So the less time the rivals and their friends in the media are given to goad each party into "ruling out" tax increases, the better.

In any case, election fever has now reached such a pitch that good government is all but impossible. Parliamentary debates have become an unseemly circus, to the benefit of neither party and the discredit of politicians in general.

A wait until May 1, the last possible election date, would not obviously improve the situation for Mr Major. A strong economy and rising incomes have to be weighed against the risks of further Conservative disarray on Europe. In his own interest, therefore, Mr Major should carefully consider the earliest feasible date, which would now be March 20.

Unemployment and inflation: a transatlantic conundrum





How low can we go?

There may be more scope than policymakers thought to reduce unemployment without stoking inflation, writes Robert Chote

Karl Marx argued that capitalism needs a "reserve army" of unemployed labour to restrain wage demands and safeguard profits. Most economic policymakers still think in the same way, but recent experience in the US and the UK suggests the army might need fewer troops than it used to.

In both countries, joblessness has fallen to levels that in the past would have been associated with serious inflationary pressure in the labour market. At 5.3 per cent of the workforce, unemployment in the US is close to the low-point it reached in the upswing of the 1980s, but inflation remains near a 30-year low. Unemployment in the UK has tumbled to a six-year low of 6.7 per cent, while growth in average earnings is barely stirring.

In both the US and the UK economists have had to reassess long-held assumptions about the link between inflation and unemployment. Can these economies sustain lower jobless rates than they used to? Or are temporary factors suppressing inflation and lulling policymakers into a false sense of security?

Economists typically assums the existence of a "natural" or "non-accelerating inflation rate of unemployment" (Nairu) at which conditions in the labour market exert neither upward nor downward pressure on wage and price increases – leaving the inflation rate stable. Policymakers push unemployment below it at their peril.

Driving unemployment below this level encourages workers to press for bigger pay settlements by easing their fear of job losses. In these conditions, employers pay up because they know they can recoup the cost by lifting their prices. This erodes the value of the original pay settlements, triggering fresb demands, and so wage and price increases chase each other higher in an accelerating spiral.

For years, many economists assumed inflation in the US would be stabilised at an unemployment rate of ebout 6 per ceot. The Federal Reserve appeared to be operating on this assumption when it raised interest rates in early 1994, believing correctly the jobless rate was about to fall below that level.

But last year saw falls in core measures of US inflation, even though unemployment had fallen half a percentage point below what was thought to have been the safe level. In the second half of last year economic growth slowed and unemployment settled below 6 per cent, but inflation still did not take off.

In a recent submission to the Organisation for Economic Co-operation and Development, President Bill Clinton's Council of Economic Advisers concludes the natural rate in the US has probably dropped to between 5.6 and 5.7 per cent. The report says the recent weakness of wage growth provides tentative evidence it could be as low as 5.1 per cent.

"Although more uncertainty surrounds the Nairu estimate than is commonly appreciated, it is still a useful concept for macroeconomic policymaking," the submission says.

But in evidence to the Senate Budget Committee last week Mr Alan Greenspan, the Fed chairman, was less enthusiastic. He described the Nairu as a useful concept in theoretical discussion, but said it was "so unstable when yoo try to apply it to the real world that I am very dnbious about its practical applicability."

The big problem is that the natural rate cannot be observed directly. The graphs show estimates for the US and UK inferred from past movements in inflation and unemployment, using a technique pioneered by Mr Jorgen Elmeskov of the OECD.

For the US, this shows ths natural rate dipping below 5 per cent in 1970, jumping to nearly 8 per cent in 1973 and then sliding to 6 per cent after 1980. President Richard Nixon's wage and price controls restrained inflation in the early 1970s, but a rise in the proportion of teenagers in the population raised the natural rate later in the decade. Teenagers compete less for jobs than adults, exerting little influenca on wages.

Workers also failed to appreciate the slowdown in productivity growth which followed the 1973 oil price shock, so higher unemployment rates were needed to choke off what had become unrealistic wage demands. In the 1980s, workers' aspirations became more realistic and the workforce was older, which meant less unemployment was needed to keep inflation steady.

The movements in the UK appear to have been more dramatic. The natural rate stood at about 2 per cent in 1973 and surged to more than 10 per cent by 1986, since when it has moved downwards again.

The unemploymant rata required to stabilisa inflation appears to have risen in the 1970s because of increasingly generous social security benefits, greater mismatcb between jobs and available workers, growing trade union power and deteriorating international competitiveness.

The recession of the early 1980s probably raised it furtber by increasing the number of people out of work for long periods. The long-term unemployed exert little downward pressure on wages – they become demotivated and less attractive to employers.

This "hysteresis" process – in which movements in the actual rate of unemployment affect the level of the natural rate – may now be working in reverse. But structural changes to the labour market are generally given most of the credit for the fall in the Nairu after the mid-1980s. Legislation weakened the trade unions, the coverage and generosity of social security was rednced, and the unemployed were made to jump extra administrative burdles to retain their entitlement to benefits.

Treasury economists estimate the UK could now sustain a jobless rate between 5 per cent and 7 per cent. And they believe that, if unemployment were reduced slowly enough, the economy could eventually reach a position where both inflation and unemployment would be stabilised at a jobless rate of between 2 per cent and 4 per cent.

The historical trends are relatively uncontentious. But the natural rate remains of limited usefulness to policymakers, because they cannot be confident where it is at any given moment. Mr Douglas Staiger and his colleagues at the National Bureau of Economic Research say that, for the US in 1990, we can be 95 per cent certain only that the natural rate lay somewhere in tha wide range of between 5.1 per cent to 7.7 per cent.

This uncertainty becomes all the more frustrating when trying to explain the unexpected quiescence of wages and prices over the past couple of years.

Mr Laurence Meyer, a Federal Reserve governor, argues the weakness of US inflation is, in part, explained by falling healthcare costs, cheaper computers and a decline in import prices – all of which are likely to be temporary factors. In addition, job insecurity is discouraging workers from making big pay claims and tougher competition is deterring companies from imposing hefty price increases.

"Developments in labour markets over the past few years do provide a hint of a modest decline in the Nairu, but the evidence is not definitive and it remains uncertain whether any decline is temporary or permanent," Mr Meyer argues. The same could be said for the UK, especially witb regard to the impact of job insecurity.

In the face of these uncertainties, central bankers normally advocate a cautious approach – gently stimulating the economy until the faint outline of some inflationary apparition can be discerned in the statistical fog. Mr Greenspan appears to have sighted just such an apparition, noting in his evidence last week that job insecurity might not subdue wage growth much longer.

But some economists favour a more radical approach. Professor Patrick Minford, at Liverpool University, bas long argued that the authorities could push unemployment much lower in the UK without pushing up inflation.

Professor Robert Eisner, at Northwestern University in Illinois, also warns against using the natural rate as an excuse for unnecessarily restrictive policies. He dismisses the conventional idea that pushing unemployment a little below the natural rate will trigger an inflationary spiral that would be disproportionately painful to reverse.

"While unemployment above tha Nairu may have lowered inflation in the US, unemployment below the Nairu has had little or no lasting effect in increasing inflation," he says.

Prof Eisner argues low unemployment and a strong economy might even help to keep inflation in check, by encouraging companies to use their labour force more efficiently and to deploy more capital equipment. Buoyant conditions might also discourage companies from raising their prices in case profitable firms in other industries were tempted to begin competing with them.

These radical approaches will not find favour with economic policymakers on either side of the Atlantic. But recent experience suggests these habitually cautious creatures are at least prepared to take e few modest risks. For the millions of people still enlisted in the reserve army, these risks no doubt seem well worth taking.

• OBSERVER •

Future shock in Chicago

■ Leo Melamed is something of a godfather figure in the rough-and-tumble world of financial futures. Now he is on the comeback trail. Dissident directors of the Chicago Mercantile Exchange last week elected Melamed – credited with making the CME a financial powerhouse in the 1970s and 1980s – as a special adviser to the board and a member of the powerful executive committee.

The move tips the balance of power away from CME chairman Jack Sandner; he is already smarting following a minor palace coup earlier this month in the exchange's membership elections. Although Melamed was only once elected chairman – in the late 1960s – he controlled the CME's workings for more than two decades under various titles, including chairman emeritus. That grip was shattered in 1991, when Sandner broke ranks and pushed his mentor into a backwater.

Behind his return is a phalanx of young directors worried by declining trading volumes and a growing perception that the CME has fallen behind in technology. So will Melamed have enough new ideas to restore the exchange to its former prominence. "So much momentum has been lost in the last five years I don't know if it can be regained," he said recently. Progress will also require consensus, something which looks markedly absent on the CME's new board.

Union man

■ Graham Bishop is hot property, sometimes addressing two conferences a day – in different countries. As adviser on European financial affairs to Salomon Brothers International, he reckons that, with 1999 in sight, understanding Emu has become big business.

"There has been a dramatic increase across Europe in the number of events trying to shed light on the issue; my own diary is frightening," says Bishop.

In London last week, the Futures and Options Association held a Mansion House debate supporting the "powerful business case" for monetary union. A majority rejected the case, though an even larger number believed Britain will eventually enlist. The Royal Institute of International Affairs also staged a lively debate which ended with a 2-1 majority endorsing UK entry in 1999. The issue will also occupy much of this week's world economic forum in Davos.

Bishop confirms that while some organisations and companies are well up on Emu, a worrying number haven't even begun to grasp the implications for business. So who are the euro-dunces? Bishop puts the British public sector close to the top of the list.

Missing link

■ Keeping up with an ever-changing Europe is proving to be an awkward challenge for one or two organisations that should know better; hence the European Bank for Reconstruction and Development's recent annual report, ceding Estonia's most important islands to Sweden.

Now *Business Central Europe* has added its own touch of misplaced creativity to a 1997 map of Europe's emerging markets. Forget the minor indiscretions – a new island in the Caspian Sea, a River Danube which goes no further than Austria and a Danish island handed over to Sweden; more worryingly, while the micro-state of Monaco is depicted rather generously the ancient and much larger republic of San Marino has, not to put too fine a point on it, completely disappeared.

Last year, the magazine managed to confuse Bosnia with Croatia, so perhaps such geo-political indiscretions should be expected. Let's just hope that British Airways, sponsor of this year's map, has more reliable information to hand when it plots its routes.

Germany calling

■ The stiff upper lip is not just e British quality. The German magazine *Focus* reports that thousands of its readers are keeping surnames such as Kotz (vomit), Mörder (murderer), Brathuhn (roast chicken), even though they could legally change them. The German phone book apparently lists hundreds of people with the surnames Faul (lazy), Fett (fat), Dumm (stupid) and Schwein (pig). "Why should I have a different name from my father and grandfather?" said one Herr Schwein.

Tasty

■ Until last year, when tha remarkable Pamela Anderson of Baywatch fama was allowed to bare all on the bookstalls, *Playboy* magazine was banned in Ireland. One year on, the magazine's sales in the Republic (population 3.5m) are averaging 45 per cent of sales achieved in the UK (population more than 57m). Forget the Guinness; seems there's nothing like a spot of censorship to get the taste buds going.

The Financial Times

100 years ago

The Cuban Insurrection

New York, 26th Jan. A dispatch from Washingtoo says that Senor Dupuy de Lome, the Spanish Minister, has received a telegram from General Weyler, announcing that Cuba is pacified and that the reforms proposed for the island will be put into effect shortly. At the State Department it is said, however, that advices from Cuba show that while there have been no fresh engagements between the insurgents and the Spanish troops, both armies have been occupied in devastating the island. It is predicted that Cuba will be a waste within two months unless something is done to check the action of the soldiery.

50 years ago

Steel Peace In U.S.

New York, 26th Jan. Uninterrupted steel operations at least until 1st May are the result of an agreement between the United States Steel Corporation and the United Steelworkers' Union to extend the present collective bargaining agreement until that date from 15th February, when it was due to expire. Other steel companies are expected to make a similar extension.

FINANCIAL TIMES
Monday January 27 1997

Europe falling behind in IT use US high-tech companies warn

By Louise Kehoe in San Francisco

Europe is falling behind the US and Asia in the use of information technology, a trend which threatens its future prosperity, according to executives at several US high-technology companies.

At the same time, they say, protective labour laws in Europe are discouraging new investment in manufacturing plant by overseas IT manufacturers.

"The problem in Europe is an unenthusiastic approach to the use of IT in business," said Mr Andrew Grove, chief executive of Intel, the world's leading semiconductor manufacturer.

This is putting the competitiveness of European companies and the strength of its economies at risk, according to several of his colleagues in the industry. "Technologies such as electronic mail are just not part and parcel of the way [European companies] operate," said Mr Grove. "IT is largely incidental to the way managers work."

Mr Grove, who will address the Davos World Economic Forum in Switzerland next week, plans to deliver a blunt warning to political and business leaders that the world outside Europe is far more advanced in the use of IT.

Similar concerns were expressed last week by Mr Richard Thoman, International Business Machines chief financial officer, when the computer company reported its year-end results. "It is troubling to anybody who cares about European prosperity that today, in general, Europe is investing in capital goods, including information technology, at only about half the rate you see in the US and Asia," he said. "That doesn't augur very well for their future."

IBM is also among the US technology companies critical of European labour laws that make it difficult for businesses to adjust to changing market conditions.

"We are continuing the hard fight to reduce our infrastructure in Europe," said Mr Thoman. The company had aimed to cut its costs in Europe by $300m to $400m in the fourth quarter of 1996, but achieved savings of only $200m.

The "inflexibility" of the European workforce is also creating problems for Digital Equipment, said Mr Robert Palmer, chairman and chief executive of the computer company. Cutting its workforce and closing excess facilities throughout Europe is proving to be a slow and frustrating process.

France and Germany head the list of European countries that are difficult to do business in, according to US IT industry executives. This "has the unfortunate effect of making these countries less desirable to start new operations in", said Mr Palmer.

"It is not an accident that unemployment in the UK is at a long-time low," he said. "It is a lot easier to operate in the UK. The workforce is a lot more flexible."

Major maps out re-election push

By David Wighton and Liam Halligan in London

Mr John Major, the UK prime minister, is seeking to win back the support of small businesses in the run-up to the general election with measures designed to ease the burden of tax and regulation.

Ministers meeting today to consider the governing Conservative party's draft programme for the election, due by late May, will be asked to endorse plans to reform business rates and step up the campaign against unnecessary regulations.

The programme will also highlight commitments to improve choice and standards in education, including proposals to allow schools to use private capital to expand.

Speaking before today's all-day session at Chequers, the prime minister's country residence, Mr Major said the programme would map out "the next stage of the opportunity revolution".

"At the election, we must set out for people what another five years of Tory rule will bring," he said. "We must further extend opportunity and choice and ownership. Today we will examine some of the policies to do it." Conservative strategists said the programme – or manifesto – would stress the needs of business, in an effort to combat the opposition Labour party's success in building links with industry.

An official for the Conservatives said that while the centre-left Labour party may have won the backing of some big businessmen, "their policies are overwhelmingly rejected by small businesses which are the main engine of growth".

Although there will be no indication of how business rates would be reformed, the aim is to lighten the burden on small companies. Mr Roger Freeman, the minister in charge of deregulation, will put forward a proposal to include a "sunset provision" in regulations, which would die after a time unless the government takes an explicit decision to continue them.

Mr Freeman will also call for an extension of the system of mandatory cost-compliance assessments beyond Whitehall.

This would mean that City of London bodies such as the Securities and Investments Board – the main watchdog – and other self-regulatory organisations would have to demonstrate that the benefits of any new rule would outweigh the costs.

Cairo probe into bank share trades

By Mark Huband in Cairo

Egypt's stock market regulator has launched an investigation into alleged black market dealing by traders seeking to circumvent price ceilings imposed on the share prices of three local banks.

The Capital Markets Authority (CMA) may take legal action against any traders who received or paid cash premiums on capped shares. Traders are believed to have handled the shares at the official price on the understanding that a "top-up" premium would be paid privately to the seller.

"The CMA and the Cairo Stock Exchange have launched a joint investigation, with the CSE carrying out the internal inquiry," Mr Ashraf Shams El-Din, the deputy chairman of the CMA, said yesterday.

The CMA was alerted when it recorded growing differences between closing and opening share prices far greater than the 5 per cent fluctuation limit. In the past week the CMA has capped the share prices of Commercial International Bank at E£600 ($176) per share, and National Société Generale at E£750 ($221) per share.

A temporary ceiling was imposed on shares of MIBank, though this has been removed. None of the banks has been implicated in the payment of premiums.

Shares in CIB, which last week secured shareholder approval for a E£900m bond issue, have been exchanged for E£675 with brokers allegedly paying the difference in cash.

The CMA is relying on trading houses to present it with proof of this practice.

"We're not investigating the movement of shares nor the companies themselves, but the practice of the brokers," Mr Shams El-Din said. "The law says that the sale at an artificial price amounts to a manipulation, whether it is more or less than the official price."

Bill aims to free US power market

Continued from Page 1

regional differences in the cost of electricity at a time when long-distance power transmission is getting easier.

Representative Dan Schaefer (Republican, Colorado) is also expected to reintroduce a bill next month that would allow free competition by 2000.

Among the points covered by these proposals are the problem of "stranded costs". These are past investments – especially in nuclear power – which were guided by public policy and would not have been made in conditions of free competition.

Other measures would: provide incentives to use renewable energy; repeal a 1935 law intended to restrict the expansion of utilities across state lines; and establish "independent system operators" to police the national grid.

Private utilities welcome deregulation, but are insisting on the right to recover stranded costs. They are nervous of suggestions that they may be forced to sell unwanted assets at a big loss.

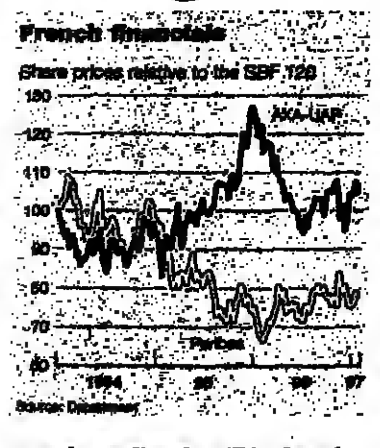
They are also wary of too much federal interference in directing traffic along the grid – and they insist that the tax advantages now enjoyed by public-sector utilities be evened out.

Some advocates of liberalisation take free-market principles even further than the politicians. Mr Wayne Crews, an economist at the Competitive Enterprise Institute, has proposed that instead of mandating "open access" to utility-owned transmission cables, the government should make it easier to set up new wires.

He argues that the government need only abolish the franchise system that underpins the existing grid, adding that: "Small-scale generation and low-voltage distribution grids could render the high-voltage power grid as irrelevant as 19th century canals."

THE LEX COLUMN

Taxing Bonn



Bonn's proposed tax reform is not the sweeping overhaul the hideously complex German system deserves, and it still has to overcome serious political hurdles. But it is a step in the right direction.

Germany has some of the world's highest direct taxes. So cutting marginal rates – top rate income tax would fall from 53 per cent to 39 per cent by 1999 and corporation tax from 45 per cent to 35 per cent – is desirable in itself. Of course, the government is clawing back much of the benefit by eliminating loopholes. But a more transparent tax system will attract investors. And the net relief should still amount to a substantial DM29bn in 1999.

Of that, analysts estimate the net benefit to quoted companies at around DM5bn, as the lower corporation tax rate is diluted by less generous depreciation and provisioning allowances. In effect, German companies will be forced to declare higher profits, but pay a lower rate of tax on them. That will boost earnings, which is good for market sentiment, but companies' underlying cashflow will hardly change. And the gains will not be evenly distributed. Domestic earners, such as utilities and retailers, will benefit at the expense of capital-intensive manufacturers.

A final bit of good news is the move to cut income taxes on dividends while halving the tax-free allowance on interest income from cash and bonds. On top of Deutsche Telekom's flotation and the impending legalisation of share buy-backs, this underlines Germany's determination to build an equity culture.

Abbey National

It has indeed been a happy new year for UK building societies planning to demutualise later this year. Recent reports suggest their shares may be worth 20 per cent more than previously forecast. This is partly because they stand to benefit from the stronger housing market, but also because of the 30 per cent run-up in Abbey National's share price over the past four months. Abbey is the favoured valuation benchmark as it was also a building society before converting to a bank.

There is, however, a circularity here; Abbey's shares have rallied in large part because of the anticipated conversions. The "proxy" argument holds that since demutualisation will increase the sector weighting by around 15 per cent, fund managers unable to buy the new shares directly will be forced to buy other shares, such as Abbey and Lloyds TSB, as proxies. But this is too simple; active fund managers, as opposed to passive index-trackers, should not be buying shares unless they offer value.

After the sharp rally Abbey's shares are hardly cheap, and business will probably get tougher. Margin pressures in the mortgage market may be easing as demand increases, but any benefits are likely to be offset by the scramble for deposits when the demutualisations take effect. Higher loan growth and more normal bad debts also present a potential constraint on dividend growth. So when building society customers receive their free shares, they should consider whether all the good news, and more, is not already in the price.

UK valuations

Last week's Institute for Public Policy Research report revived old worries about UK institutions' thirst for dividends. But instead of concentrating on heavy-handed tax reforms, the IPPR might usefully have considered the curious way pension funds value equities in the first place.

The oddity is that instead of using share prices, UK actuaries mostly base valuations on current dividends. They apply an arbitrary growth assumption – typically, that dividends will only grow in line with inflation – and tot up the cash flows using the same discount rate used for the fund's liabilities. In theory, this method can produce results either above or below share prices. More often they are below; currently, actuaries value UK shares at around 85 per cent of market prices. The idea of trying to take a long-term view of pension funds' future income sounds harmless. To see why it might not be, consider a company which cuts its dividend. Its share price could quite rationally go up. To an actuary, the shares' value is automatically and meaninglessly hammered. Moreover, the actuaries' method has two logical holes. The underlying idea that all fund assets and liabilities should be valued at the same discount rate – as if risk were the same across the board – is flawed. So is the peculiar notion that an actuary's guess at future dividend growth is better than the market's.

Why then do more British actuaries not use market values, as is common abroad? Some do. The snag is that this can lead to wild year-to-year swings in the solvency of funds, with a potentially messy impact on company finances. Yet pretending that funds' assets are worth significantly more or less than they really are – the present approach – hardly seems the best solution. A better answer would be to value the assets properly, while smoothing both company contributions and the distribution of surpluses.

Actuaries may well shift in this direction of their own accord, if only because the new minimum funding requirement for pension schemes will use market values. But fund trustees should not just wait for the number-crunchers to change. They must ensure that actuarial conservatism is not the obstacle to a more rational approach.

AXA-UAP/Paribas

AXA-UAP's sale of part of its big stake in Paribas illustrates the change under way in France, and its limitations. With luck, a slow unwinding of the two companies' pointless cross-holdings is on the cards; if so, shareholders should celebrate. And yet, they may ask, has the most value been made of the disproportionate voting rights which still make AXA-UAP easily Paribas's most powerful shareholder? Although Paribas has taken steps to shake up its sprawling empire, there is little doubt a more ruthless break-up could unlock more value. In theory at least, a genuinely shareholder-minded AXA-UAP would surely use its unique clout at Paribas to engineer more radical surgery. Naturally, this is generally regarded as inconceivable – which merely underlines how different France still is.

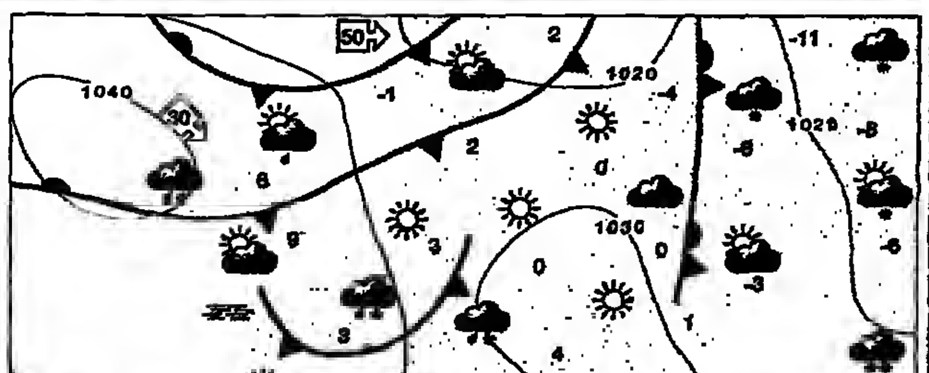
FT WEATHER GUIDE

Europe today

Most of Europe will be cloudy, though eastern sections will have some sun.
Russia will have cloud and snow, with temperatures ranging from -10C to -7C.
Most of Poland, Belarus and the Baltic states will be sunny with temperatures around freezing.
Germany and the Benelux will remain dry with sunny spells.
Spain, southern Italy, Greece and southern Turkey will also be mostly sunny and dry. Temperatures will generally be milder than recent days, although interior Turkey will remain cold with temperatures below freezing. Eastern Turkey will have some snow.

Five-day forecast

Scandinavia will have strong winds and snow, but the rest of Europe will remain settled as high pressure builds over the British Isles.
Western Europe will have moderate temperatures. Cloud will persist, but with frequent sunny spells.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius										
Abu Dhabi	fair 22	Beijing	sun 5	Caracas	fair 31	Faro	sun 17	Madrid	cloudy 12	Rangoon	sun 30
Accra	cloudy 32	Belfast	rain 6	Cardiff	cloudy 6	Frankfurt	sleet 4	Majorca	fair 14	Reykjavik	rain 3
Algiers	shower 16	Belgrade	cloudy 2	Casablanca	fair 17	Geneva	cloudy 6	Malta	fair 17	Rio	cloudy 29
Amsterdam	fair 2	Berlin	sun 0	Chicago	snow -1	Gibraltar	sun 17	Manchester	cloudy 6	Rome	fair 14
Athens	fair 12	Bermuda	cloudy 16	Cologne	sleet 3	Glasgow	rain 0	Manila	fair 30	S. Frsco	fair 13
Atlanta	fair 12	Bogota	cloudy 20	Dakar	sun 27	Hamburg	fair 2	Melbourne	thund 29	Seoul	fair 3
B. Aires	fair 28	Bombay	sun 30	Dallas	cloudy 16	Helsinki	snow 2	Mexico City	sun 23	Singapore	cloudy 31
B.ham	fair 8	Brussels	cloudy 3	Delhi	sun 21	Hong Kong	fair 12	Miami	fair 25	Stockholm	fair 2
Bangkok	fair 34	Budapest	cloudy -1	Dubai	fair 21	Honolulu	cloudy 26	Milan	fog 10	Strasbourg	sleet 4
Barcelona	fair 14	C.hagen	fair 0	Dublin	cloudy 8	Istanbul	cloudy 6	Montreal	fair -13	Sydney	shower 23
		Cairo	fair 16	Dubrovnik	fair 12	Jakarta	shower 29	Moscow	snow -5	Tangier	fair 17
		Cape Town	fair 27	Edinburgh	rain 8	Jersey	fair 10	Munich	sleet 2	Tel Aviv	fair 16
						Karachi	fair 24	Nairobi	fair 28	Tokyo	fair 10
						Kuwait	fair 15	Naples	fair 12	Toronto	snow -7
						L. Angeles	fair 16	Nassau	fair 26	Vancouver	cloudy 4
						Las Palmas	cloudy 21	New York	snow -2	Venice	cloudy 6
						Lima	fair 26	Nice	fair 13	Vienna	drzzl -1
						Lisbon	fair 16	Nicosia	cloudy 13	Warsaw	sun 1
						London	fair 6	Oslo	cloudy 3	Washington	shower 2
						Lux.bourg	fair 3	Paris	cloudy 3	Wellington	fair 15
						Lyon	sun 3	Perth	fair 32	Winnipeg	fair -21
						Madeira	cloudy 19	Prague	fair -2	Zurich	cloudy 4

FINANCIAL TIMES
COMPANIES & MARKETS

Week 5

Monday January 27 1997

Globex at risk as French exchange pulls out

By Laurie Morse in Chicago

The future of Globex, the after-houre electronic derivatives trading system owned hy Reuters, the financial information group, has been put in doubt by a decieion of the French futures exchange Matif to leave the system.

Matif's decision is part of a move to form closer links with the Paris Boursa, its stock market counterpart. The exchange, Glohex's largest customer, plans to leave at the end of its contract in April 1998.

Following Friday'e announcement, the Chicago Mercantile Exchange, the other exchange participating in Reuter's system, said it was also seeking alternative systems.

Reuters said in a statement that it and the CME were "examining what the future structure of Globex might be".

Reuters is believed to have invested $100m in the syetem, launcbed in partnership with the CME in 1992.

Globex was viewed as a pioneering concept when it was proposed in 1987, but in recent years the world's biggest futures exchanges, inclnding London's Liffe and the Chicago Board of Trade, have opted to construct and control their own computer networks.

Matif will adopt the Bourse's Nouveau Systeme de Cotation (NSC) trading system, employing it for after-hours trading and for back-up to its open-outcry trading floor.

The derivatives exchange also said it would form a *common subsidiary* with the Bourse to develop equity-based futures and options.

The Bourse will be the lead partner in this subsidiary and will also take over management of Matif's successful CAC 40 index product.

Equity derivatives are 10 per cent of Matif's business. Its interest rate products, which contribute 80 per cent of the exchange's volume, are under threat from competitlon with the approach of European monetary union.

"What we hope this will do is impose some order on the Paris market," Matif said.

By linking both strategically and through technology with the Bourse, Matif said it aimed to cut coats for members and increase opportunities for new equity prodncts.

"A large number of our members are also members of the Bourse. They already have NSC, and their costs for electronic trading will be lower than on Globex," a spokeswoman said.

Similarly, cross-fertilisation between the Paris exchanges should cut costs and yield robust new equity index products, she said.

French commercial banking poised for increase in insurance competition

Caisse d'Epargne plans non-life move

By Andrew Jack in Paris

One of France's largest financial institutions is poised to launch a range of non-life insurance products for sale through its extensive hranch network in a move which could accelerate competition in the market.

The Caisse d'Epargne, which operates more than 4,000 branches across the country, is on the verge of choosing one of two insurance companies with which to work on the development of non-life contracts covering areas such as motor and house risks. A decision is expected next month.

The plan comes after a number of banke have unveiled plans in the past few months to extend their "banc assurance" activities by selling life and, increaelngly, non-life products in partnership with insurance groups. Less than 4 per cent of non-life contracts are currently sold through banks.

Crédit Agricole and Crédit Mutuel, two large mutualist banks, already sell non-life insurance, while Crédit *Lyonnais has formed a joint* venture with Allianz of Germany and Société Génèrale with Commercial Union of the UK and Assurances Géoérales de *France.*

However, the decision by the Caisse d'Epargne is likely to trigger controversy within France's commercial banking sector, which hae been mounting an increasingly strident campaign against competitive distortions in the sector, with indications of support from the *government.*

The Caisse d'Epargne frequentiy comes under attack from quoted banks because its ownership structure is highly complex *and it has* no *shareholders to* which it must offer a competitive rate of return on equity. In 1995, it reported net profits of just FFr1.7bn ($309m) on capital of FFr62bn.

It is also the target of criticism because it retains a partial mooopoly – shared witb the Post Office and Crédit Mutuel – over the *so-called Livret A, a tax-free* government-backed savings scheme, which gives it a captive market.

The Caisse d'Epargne already sells life assurance products through its Ecureuil Via joint venture owned with and managed by Caisse Nationale de Prévoyance, a state-owned insurance group. It reported *premiums* of *FFr29bn for* 1995, making it the second largest hancassurer in France.

The institution is currently developing a *modification* to its *statutes* which would turn it into a form of co-operative controlled by 35 regional foundations. Shares would be beld hy its employees, *staff* and *possibly outside* investors at some point in the future.

It has also attempted to allay criticism by pledging to pay out a "social dividend" *of 10 per cent* of its profits in the form of contributions to charitable activities.

INSIDE

Argentaria

Drastic plans for reducing costs at Spain's Argentaria banking group brought a 58 per fall in its *attributable net earnings* for last year to Pta31.2bn ($227m) after an extraordinary charge of Pta43bn. But Mr Francisco González, chairman, said *that* by renegotiating a large part of its long-term habilities, Argentaria would strengthen its position in the run-up to European monetary *union.* Page 21

Agco

Agco, one of the three largest makers of farm equipment in the US, plans to step up sales in the US of a series of high-speed German-made tractors following its acquisition of Fendt, one of Europe's biggest independent tractor producers. Page 21

Swedish banks

Shares in Nordbanken and Skandinaviska Enskilda Banken surged last week on renewed reports that the two Swedish banks were close to agreeing a merger. Page 20

Fund Management

Not only are German banks eager to expand ahroad, but they also see *opportunities opening up at home.* The scale of their ambitions is shown by the decision of Dresdner Bank to restructure its global fund management business and take to the expansion trail again. Page 20

Banamex

Banamex, Mexico's largest bank, has reported a fourth-quarter pre-tax loss of 1.2bn pesos ($154m), bringing its pre-tax profits *for 1996* to zero. *Only* deferred income and asset taxes totalling 939m pesos and the undistributed earnings of subsidiaries allowed the bank to post *net profits of* 1.45bn pesos for the full year. Page 20

PepsiCo loses its taste for fast food chains

The cola group plans to focus on drinks and snacks, writes Richard Tomkins

It seemed a good idea at the time. In the mid-1970s, PepsiCo saw less-than-stellar prospects for its soft drink and salty snack operations, and started buying fast food chains to speed up earnings growth.

Twenty years later, the strategy is being turned on its head.

PepsiCo has announced its decision to get out of the fast food business by spinning off its restaurant division to shareholders.

From now on, it will be down to soft drinks and salty snacks to put the fizz back into the company's profits.

In tbe mid-1970s, the growtb potential of the Pepsi-Cola soft drinks business was seen as constrained by its already high penetration of the US market.

Overseas, Pepsi-Cola's opportunities were thought to be limited by Coca-Cola's size, by closed economies and by low incomes in developing countries.

The salty snacks business, meanwhile, was essentially a US affair.

In a conference call with analysts on Friday, Mr Roger Enrico, PepsiCo's chairman and chief executive, said its occasional forays into international markets met with little success.

"For example, we took Fritos to France, hut we learned pretty quickly that the French wanted to stick with foie gras," Mr Enrico said. "We took some very embarrassing and difficult losses at the time, so it didn't look too great."

PepsiCo entered the restaurant business with the acquisition of Pizza Hut in 1977. Taco Bell was added the following year and Kentucky Fried Chicken – now KFC – was bought in 1986.

The acqnisitions were bardly a flop: for a time, amid a hig expansion programme, they delivered good profit growth.

Meanwhile, the soft drink and snack businesses did better than expected, helped by strong performances in the US and an unexpectedly rapid opening of world markets.

More recently, however, the group as a whole has run into a series of difficulties.

Some have been on the restaurant side, where intense competition in the US fast food market has hit profits. Others have been in international soft drinks, where Pepsi-Cola burned up money in a quixotic attempt to defeat the mighty Coke in some of its strongest territories.

Shareholder concern over PepsiCo's mounting troubles led to increasing pressure for some kind of spin-off. Divesting the Frito-Lay salty snacks division was hardly an option.

It had become the best-performing part of the business, and the soft drinks division was sacrosanct because it was the heart and soul of the company.

The restaurant division, however, appeared a more suitable *candidate*: not *just* hecause of its recent poor performance, but because, as a retailing business, it sat a little awkwardly with PepsiCo's other two divi*sions*, which manufactured packaged goods.

Mr Enrico, who had previously headed the restaurant division, implied that he regretted the spin-off.

He said be thought restaurants were "e terrific business" and added, almost wistfully: "I think, one day, we are going to see more KFC restaurants in China than we do in the US."

Even so, analysts and investors welcomed the move, seeing it as providing PepsiCo's *management* with the opportunity to focus on the remaining husinesses. PepsiCo's stock closed on Friday at $33⅞ – up $3⅝, or 11 per cent, on the week.

One benefit of the spin-off will be PepsiCo's ability to pass on some of its $8bn in debt to the restaurant company, giving PepsiCo greater resources for an acquisition. But Mr Enrico eppeared to rule out the idea that PepsiCo migbt bid for Quaker Oats' Gatorade and Snapple drinks businesses, saying no significant acquisitions were in its business plans.

Mr Enrico said the *opportunities for* the slimmed-down PepsiCo were far greater than tbe company had viewed them 20 years earlier.

*A top priority for the com*pany would be to improve profits in the international soft drinks business by concentrating on growth markets instead of trying to beat *Coke* on its own turf.

"We are pretty realistic that we are not going to catch Coke in Japan or Germany, or some of these other parts of the world where they have a big head start and have done a great job building their husiness," Mr Enrico said.

"But in places like China, India, eastern Europe and a number of other places around the globe, we think there are billions of customers up for grabs."

On the salty snack side, Mr Enrico said experience bad shown that PepsiCo could move its snack food brands around the world: "We took Doridos to the UK just about 18 months ago and it's built to a $60m brand already."

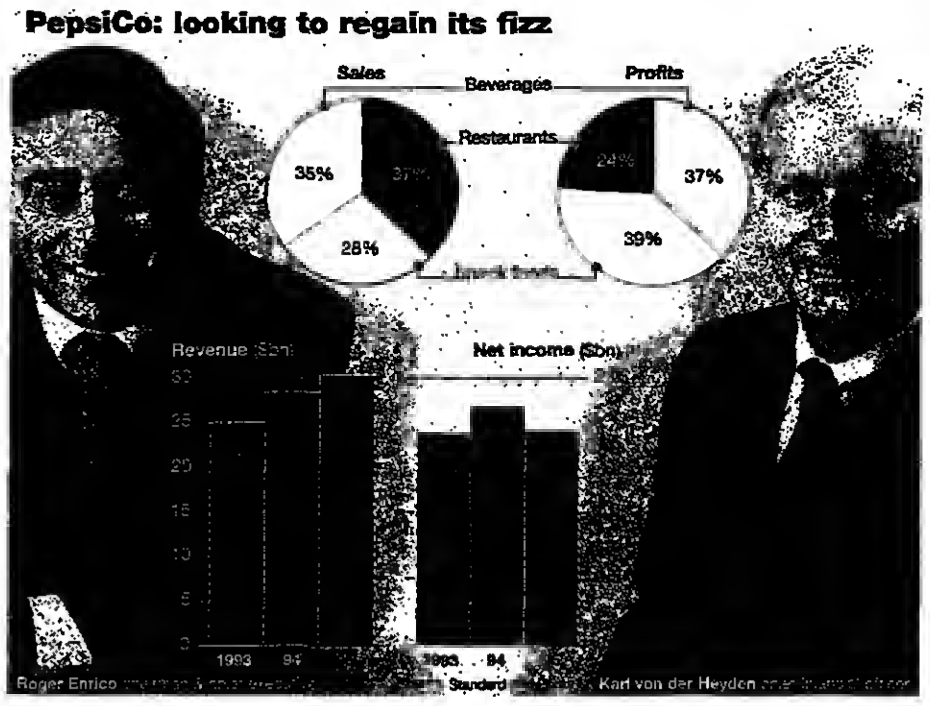
Mr Michael Branca, an analyst at Lehman Brothers, said the remaining soft drink and snack food operations were "exceptionally powerful businesses with a predictable 15-20 per cent long-term growth rate in earnings per share" – conceivably putting them on e par with Coca-Cola, with its predictable 18 per cent growth rate.

In a rare moment of humility for a chief executive, Mr Enrico confessed: "Clearly we have stubbed our toe *pretty big time here in* the last couple of years."

But he added: "We intend to fully learn the lessons from that and not repeat that.

"We have got a whole oew strategy that will stand us in far better stead than the one we were on before."

PepsiCo: looking to regain its fizz



Utility patrols web for predators

By Simon Holberton

Yorkshire Electricity is doing electronic detective work to identify potential predators by monitoring users of its Internet website.

It has already discovered that the US company Mission Energy, which owns First Hydro of the UK and has been seen as a possible bidder, is one of the most freqnent users.

Yorkshire started to monitor its website, which registers "hits" from usera around the world seeking information about the company, after a sharp rise in its share price since the start of this year.

The site carries background information about the company and its region, as well as the annual report and press releases.

Yorkshire's shares closed at 848½p on Friday, up nearly 4.5 per cent since the beginning of the year, and the shares will go ex-dividend today.

"Its share price is saying it is about to be bid for," said one analyst.

Mission has denied plans to enter electricity distribution. Observers said US utilities, especially Pacific Gas and Electric, Houston Industries and Duke Power, were also potential bidders.

But an adviser to Yorkshire said the distribntor had not received any approaches and could not explain the strength of the share price. Analysis of the share register had yielded nothing suspicious.

Analysts said Yorkshire was trading at more than seven times prospective 1997 earnings before interest, tax, depreciation and amortisation – a measure of cash flow. This compared with an average of 6.8 times prospective cash flow for previous regional electricity company (Rec) bids.

But they pointed out that this form of valuation did not capture the potential valne in Yorkshire's 22.3 per cent interest in Ionica, a telecommunications company, which has been valued at £500m to £1bn and a property development portfolio worth up to £70m.

In addition to bid speculation, the company's price has been supported by the expectation that it will soon make a "valne return" to shareholders throngh a share buy-back or a monitor special dividend.

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Esprit Telecom to float in London and New York

By Nicholas Denton in London

Esprit Telecom, one of the new breed of telecommunications carriers, is set to announce an international public offering in New York and London.

The five-year-old company, which operates in Europe, made no comment, citing Securities and Exchange Commission restrictions on tha promotion of securities issues, hut has appointed Lehman Brothers as the investment bank leading the share sala.

Esprit – like Viatel and Colt Telecom, two other companies which have recently floated – is tapping investor interest in new telecoms entrants as liberalisation of the European market in 1998 draws closer.

No details of the planned flotation are availahle bnt analysts estimate Esprit to have an enterprise value of about $300m and investment bankers expect it to raise about $100m in the offering.

Although Esprit is thought to have made a small loss in the year to September 1996, its valuation will be driven by growth in reveoues, which are expected to almost douhle last year's estimated $38m.

Esprit is seeking to distinguisb itself from Viatel, wbose sbare price has slumped nearly a quarter since its flotation in September, by comparing itself to stronger performing international carriers sucb as Pacific Gateway Exchange.

Proceeds from the public offering would be used to invest in switching equipment for further European expansion and in fibre-optic cable along the Thames Valley in London, where the company, which supplies cut-price services to the UK government, has its greatest concentration of customers.

It is not clear wbether Esprit's management and its financial backers – Apax Partners, Hancock Venture Partners and EM Warburg Pincus, all venture capital firms – will use the offering to realise some of their investment gains.

Esprit was founded in 1991 by Mr Walt Anderson, a US telecoms entrepreneur, and emulates the strategy of the carriers challenging AT&T in the US long-distance markets. Its ambition is to be "the MCI of Europe".

The company began offering services in the UK in 1993 and has operations in other European countries, such as the Netherlands. Its clients include the European operations of Marriott hotels.

Fourth-quarter loss for Banamex

By Leslie Crawford in Mexico City

Banamex, Mexico's largest bank, has reported a fourth-quarter pre-tax loss of 1.2bn pesos ($154m), bringing its pre-tax profits for the whole of 1996 to zero. Only deferred income and asset taxes totalling 939m pesos and the undistributed earnings of subsidiaries allowed the bank to post net profits of 1.45bn pesos for the full year, against 2.16bn pesos in 1995.

The results were overshadowed by news that Banamex had sold 12.3bn pesos of non-performing mortgage loans to the government and pledged to raise 4bn pesos of fresh capital this year.

The sale, which wiped out 22 per cent of Banamex's mortgage portfolio, or 10 per cent of its total loans, was necessary to mitigate the stricter accounting practices which took effect this month. Five other banks, including Bancomer, the second largest, have also sold their non-performing mortgages to the government.

The impact of the new accounting principles, which force earlier and fuller disclosure of non-performing loans, was evident in the deterioration of some of Banamex's statistics.

Past-due loans rose from 13bn pesos, or 9.8 per cent of total loans, at the end of September to 21bn pesos, or 18.3 per cent of the total, in December. If the government had not agreed to take over Banamex's bad mortgages, one-quarter of the bank's total loans would have been classified as past-due.

Reserve coverage has dropped to 60.7 per cent of Banamex's non-performing loans, from 83.8 per cent in September. Net capital to risk-weighted assets fell from 14.8 per cent to 13.1 per cent, although this remains comfortably above the 8 per cent minimum.

Analysts were torn between welcoming the mortgage write-off and surprise at the problems caused by Mexico's previously lenient accounting practices.

"Banamex's bad loans nearly trebled with the new accounting rules, whereas most analysts were expecting a 70 per cent to 100 per cent increase. The situation was much worse than we realised," said Mr Carlos Diaz-Llado of Spanish financial consultants AB Asesores Moneda.

Banamex officials warned that net interest margins would continue to fall in 1997 as interest rates fell, Mexico's economic situation stabilised, and competition in the banking industry increased. Banamex's net interest margin dropped to 4.3 per cent at the end of 1996, from 7.9 per cent in December 1995.

The bank's return on average assets also dropped to a slender 0.2 per cent at the end of 1995, from 1.4 per cent in 1995. Banamex officials foresaw only a modest increase in bank landing during 1997.

Merger talk lifts Swedish bank shares

By Hugh Carnegy in Stockholm

Shares in Nordbanken and Skandinaviska Enskilda Banken surged last week on renewed reports that the two Swedish banks were close to agreeing to merge.

The two banks and the government, which owns almost 60 per cent of Nordbanken, refused to comment but the report in a daily newspaper that a merger could be announced as early as next week sparked an immediate reaction on the Stockholm bourse.

On Friday, Nordbanken shares jumped more than 7 per cent to close up SKr18.50 at SKr233.4. SE-Banken's most traded A shares were up SKr4.5 at SKr72.5.

Speculation over a link-up between the two banks has grown since Svenska Handelsbanken won an auction to take over Stadshypotek, the country's leading mortgage lender, late last year.

Since recovering from a deep loan loss crisis in the early 1990s, the banks have regained strong profitability. But with low cost ratios and limited market growth, they are looking to partnerships to lift earnings in the face of deregulation, technological change and planned European monetary union.

Hanoi eases bank issue rules

By Jeremy Grant in Hanoi

Vietnam has approved the purchase by foreigners of an issue of shares by a privately held bank in Ho Chi Minh City, a rare move that could spur similar deals in a country with no stock market.

LG Merchant Bank, a division of South Korean conglomerate LG Group; Singapore-based Vietnam Fund; UK investment manager Dragon Capital; and Jardine Matheson, the Hong Kong-based trading house, won the bidding for a third of the 230,000 new shares issued by Asia Commercial Bank.

The ACB issue is only the third offering of stock to foreign investors by a Vietnamese company. The last bank issue was by VP Bank, also based in Ho Chi Minh City.

"It's good because it pushes forward the concept of buying securities in Vietnamese companies, as well as in ACB as the dominant private sector bank," said Mr Dominic Scriven, Ho Chi Minh City-based director of Dragon Capital.

Dragon Capital has a 6 per cent stake in ACB, with the other three holding 8 per cent each. The stakes give each company a seat on the board.

ACB is one of Vietnam's most dynamic "joint stock" banks, so called because it has a diversified shareholder base. Vietnam's banking sector is dominated by four large state-owned banks.

Vietnamese are expected to take up the remaining two-thirds of the issue, which was designed to boost ACB's capital base to 70bn dong (US$6.3m). This is part of a scheme to streamline the joint stock banking sector, where 54 banks compete. The central bank, which is behind it, believes that number is too great.

ACB is expected to be among the first local companies to be listed on a Vietnamese stock exchange. However, banking officials say the exchange is unlikely to emerge for at least two years because of the need for a firm regulatory framework and because of a lack of internationally accepted accounting standards.

UK stores group set to close three outlets

By David Blackwell

House of Fraser, the troubled UK department store chain, is expected to announce today the sale of three stores for about £10m ($16m).

The disposals – part of the continuing strategic review under Mr John Coleman, chief executive – will be announced with a Christmas trading statement that could prove more positivs than some market expectations.

House of Fraser has been plagued by problems ever since it was floated by the Fayed brothers, owners of Harrods, in 1994.

The shares – 180p on flotation – closed down 3½p at 142p on Friday.

Since his appointment last April against a background of falling profits, high costs, lost market share and over-reliance on concessions, Mr Coleman has been pursuing a strategic review that will tighten the group's customer focus and prune the most unprofitable parts. But he does not expect the results to feed through into full-year figures until next year.

The group is expected to fall into the red for the year ending in April after making provisions of up to £50m last October for store closures, job losses and stock write-downs.

German banks in scouting phase of expansion

The UK, France and Italy have attracted the most acquisitive attention, says Andrew Fisher

In the hotly contested world of asset management, Germany's big banks are flexing their muscles. Not only are they eager to expand abroad – on the European continent, in the UK, Asia and the Americas – but they also see opportunities opening up at home.

The scale of their ambitions is shown by the decision of Dresdner Bank to put its global fund management business into a coherent structure and take to the expansion trail again. Mr Gerhard Eberstadt, the Dresdner director in charge of asset management, made clear last week that it was in the market for acquisitions.

If the right opportunity came along, "we are ready to make further purchases," he said. Having paid $300m for RCM Capital Management in San Francisco a year ago, however, no more US purchases were in the offing, although he did not totally rule one out.

Dresdner, which has put operational responsibility for its global asset management business – handling some $50bn of institutional funds – in the hands of RCM, is concentrating its attention closer to home. It sees scope for possible purchases mainly in the UK, but also in France and Italy.

Although already represented in Britain through Kleinwort Benson, the UK investment bank it bought in 1995, and the Thornton equity fund specialist, Dresdner still feels there are untapped opportunities. "Britain is one of the most interesting markets in asset management," believes Mr Eberstadt. "The market itself is a big one and it is an international centre where a large volume of US and Japanese funds are managed."

Size and expertise are what Germany's banks seek as they strive to win more mandates. Bayerische Hypotheken und Wechsel Bank (Hypo-Bank) recently lifted its stake in Britain's Hypo Foreign and Colonial Management from 50 per cent to 65 per cent. It also has a product and marketing agreement with Massachusetts Financial Services (MFS) in the US.

Hypo-Bank's Bavarian neighbour, Bayerische

FUND MANAGEMENT

Vereinsbank is equally keen to build up its asset management business. Mr Albrecht Schmidt, Vereinsbank's chairman, says "we are not where we want to be" in this sector. In 1995, it tried and failed – due to regulatory hurdles – to buy Oppenheimer Group, the New York brokerage, investment banking and fund management operation. But it is keeping its eyes peeled.

All the big German banks are aware that their performance, financial products and risk management are under scrutiny. "Only the top asset management companies will survive. You can't be mediocre," says Mr Schmidt.

The banks believe their size and reputation provide a formidable basis on which to expand their institutional fund management businesses. Dresdner's Mr Eberstadt says the future is with the big banking groups which can operate globally and are backed by extensive distribution, marketing and research operations.

Dresdner, with RCM, Kleinwort Benson, Thornton and other units such as the small Oechsle fund manager in Boston and BIP Gestion in France, is strong in Europe, the US, Asia and south America, Mr Eberstadt says. Asset management is expected to grow steadily, with the bank's own institutional business up some 15 per cent last year and projected to grow around 10 per cent a year.

"But fees are increasingly under pressure in this business, and so bigger units are needed to benefit from economies of scale."

After the publicity generated by Ms Nicola Horlick's attempts to recover her lucrative fund management job at Deutsche Morgan Grenfell, the news that Dresdner still had ambitions to grow in tha UK – by winning more mandates and possibly making an acquisition – was greeted with relief in London. But Mr Eberstadt said Dresdner was also interested in prospects on the European continent.

"France is also a market which is on the move." This was especially the case now that France was taking steps to encourage private pension funds. Italy, too, was a market with potential. "We are not looking hard but we will take any opportunities that occur. The market is less developed [than markets like, the UK, France and Germany] but there is a high savings rate."

Outside Europe, Dresdner has been doing more business in Japan, with industrial companies and life insurance concerns. It also aims to build up its presence in Mexico, Brazil and other South American countries where pension funds are developing.

All it needs now is for the German government to show the same alacrity in encouraging independently managed pension funds. That would add a new dimension to the stock market and bring new business. "Bonn is now looking to what Paris is doing," says Mr Eberstadt. "If they had looked closely at the UK, they [German politicians] would have acted already."

INTERNATIONAL NEWS DIGEST

Crédit Foncier action continues

Employees of Crédit Foncier de France, the troubled property lender, have settled in for the second week of occupation of their Paris headquarters as discussions continue over the survival of the institution.

Unions, who held top executives of the bank hostage until Wednesday, called for the demonstration to continue at least until tomorrow, when a national "day of action" for employees in the semi-public sector has been announced. Debate has continued over exactly what concessions the government had provided, with the unions claiming that the proposals for the break-up of the bank by Mr Jean Arthuis, economics and finance minister, had been abandoned.

Mr Philippe Rouvillois, the mediator appointed by the government last Monday, stressed that talks had opened on the premise that no particular solution had any preference, but that put forward by Mr Arthuis could equally be among the possible resolutions. The next talks are scheduled for today.

With strong backing from Crédit Foncier's 3,300 staff, the unions are demanding that thair bank remains intact, while Mr Alain Juppé, the prime minister, ruled out at the end of the week any recapitalisation by the state, and stressed that the institution was no longer viable on its own.

Andrew Jack, Paris

Axa-UAP sells Paribas stake

Axa-UAP, the recently-merged French insurance group, has confirmed that it had sold a 2.4 per cent stake in Paribas, the financial institution, after the markets closed on Thursday evening, for aboot FFr1bn. The sale comes as a series of investmants made by the two insurance groups is under examination after Axa acquired UAP, and in the process obtained a substantial stake in the rival Banque National de Paris.

Mr Claude Bébéar, chairman of Axa-UAP, told a general meeting of shareholders last week that the group did not have the role of being the "godfather of French capitalism" and that all of its participations would be examined "line by line" except for BNP and Paribas, where any change would be the result of agreement with their respective managements.

Andrew Jack

Lex, Page 18

GM board meets on payouts

The board of General Motors meets today amid expectations on Wall Street that the US car maker will opt to distribute more of its spare cash to its shareholders. The US's steady economic growth in recent years, together with the spin-off of EDS, a former subsidiary, has enabled GM to repair its balance sheet and effectively eliminate a massive deficit in its pension fund. Now, with the prospect of another steady year of car sales ahead and substantial cash reserves on hand, industry analysts expect the company to direct more of its resources to rewarding its shareholders directly.

At a pinch, GM could afford to double its quarterly dividend, to 80 cents a share, and set in train a $5bn share buy-back, said Mr David Garrity, an analyst at Smith Barney. Even without a distribution on this scale, though, the company's board is widely expected to send a strong signal about GM's new-found financial stability and its potential to generate significant free cash flow in the future.

Richard Waters, New York

China 'to liberalise insurance'

Prudential, the UK-based insurer, foresees a gradual liberalisation of China's nascent life insurance market and expects approval "within two to three years" for a licence to sell policies in one of Asia's most promising markets. "They [the Chinese authorities] want to create a domestic capability before they open up. That's understandable," said Lord David Gillmore of Thamesfield, director of the Prudential board. On Saturday he opened a representative office in Ho Chi Minh City, the company's second in Vietnam.

Like other large insurers, Prudential has been pursuing entry into China as part of a long-term drive to generate life insurance revenue from new Asian markets such as India, Japan and Vietnam. Premium sales in Asia in 1996 rose 13 per cent to £103m ($167m).

Jeremy Grant, Hanoi

Argentaria falls 58% following Pta43bn charge

By David White in Madrid

Drastic plans for reducing financial costs at Spain's Argentaria banking group brought a 58 per fall in its attributable net earnings for last year to Pta31.2bn ($227m) after an extraordinary charge of of Pta43bn.

Bnt Mr Francisco González, chairman, said that by renegotiating a large part of its long-term liabilities Argentaria would strengthen its position in the run-up to European monetary union, and would produce increased profits and dividends in future.

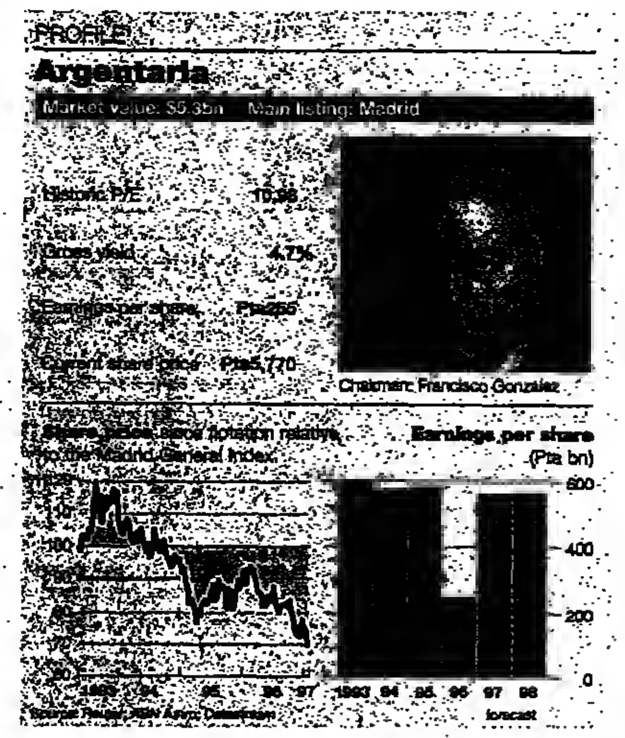
The move, in preparation for the final stage of Argentaria's privatisation, means sacrificing almost half the group's operating earnings to pre-pay some Pta700bn of fixed-rate borrowings and refinance them on more favourable terms. They currently have an average cost of about 9.8 per cent.

Argentaria, which was already expecting a reduction in 1996 profits, announced its plan in December along with the appointment of a new chief executive, Mr Francisco Gómez Roldán. At the same time, it announced plans to raise its total dividend for 1966 from Pta270 to Pta277.

Mr González, appointed by the government to take over as chairman last May, found the group was too reliant on non-recurring profits.

The extraordinary charge was more than originally announced, and the net profit figure lower than analysts expected.

However, operating profits were stronger than expected, showing growth of almost 9 per cent to Pta89.6bn, compared with a forecast Pta85bn.



Net interest income was 5 per cent down at Pta196.8bn, but this was offset by a 170 per cent boost in income from financial market operations to Pta29.8bn.

Net loan-loss provisions were 54 per cent less than the previous year's at Pta31.8bn. At the same time it reduced its proportion of non-performing loans from 3.8 per cent to 3.2 per cent.

Total assets stood at about Pta11,000bn at the end of the year, a reduction of almost 16 per cent. Argentaria said this was the result of a policy of shedding assets with only marginal profitability.

Pritzkers renew aviation interest

By Christopher Parkes in Los Angeles

Chicago's wealthy Pritzker family, former owner of the defunct Braniff airline, is taking a renewed interest in aviation by buying a 50 per cent stake in an embryonic aerospace components group and a majority holding in a new business jet company.

The family, best known for its control of Hyatt Hotels, has linked with Los Angeles-based Quarterdeck Equity Partners to buy the Alcoa aluminium group's aerospace composites division.

The company, which supplies structural materials to Boeing, McDonnell Douglas and engine-maker Rolls-Royce, has annual sales of some $40m, and will be positioned as "an acquisition platform", according to Mr Jon Kutler, Quarterdeck chairman.

The purchase price was not disclosed.

The business will be named Composite Structures, and will be developed rapidly to meet the newly-restructured aerospace industry's needs for larger subcontractors, be said.

The Pritzkers, who formerly toyed with a possible purchase of PanAm and other high-profile airline ventures, are also about to launch Galaxy Aerospace, a joint venture with state-owned Israel Aircraft Industries.

The company, to be headed by Mr Brian Barents, former head of Learjet, will attempt to break into the $5bn world business jet market with a 19-seater, $14.5m aircraft developed by IAI.

The Israeli company will make the wings, while US soppliers will provide the rest, including engines. An agreement establishing the new, US-based company, was signed last week, and final clearanca from Israel is expected before the end of this month.

While the new ventures will be controlled separately, they mark intriguing new ventures for the Pritzkers, who control about 60 diversified businesses in their Marmon group.

Electrolux slides despite US advance

By Hugh Carnegy in Stockholm

Electrolux, the world's leading supplier of household appliances, suffered a 33 per cent slide in profits in the fourth quarter as a strong krona and a poor performance in Europe brought a weak end to a year of lower earnings.

Mr Leif Johansson, chief executive, said strong demand for white goods in Nortb America – also reported this month by Whirlpool, Electrolux's big US rival – bad improved earnings in the region and a rise in consumer demand looked set to continue.

However, he said that white goods sales in Europe fell by 2.4 per cent in 1996. Demand had reached bottom, but be expected zero growth in 1997.

Group pre-tax profits in the last quarter fell from SKr1.2bn in the same period in 1995 to SKr812m ($112.67m), dragging full-year profits down to SKr3bn, compared with SKr3.9bn in 1995. Earnings per share in the fourth qnarter tumbled by more than 50 per cent from SKr14.40 to SKr6.90 and were down from SKr37.50 to SKr25.30 for the full year.

Electrolux group sales in the fourth quarter were unchanged at SKr27bn, but were down 5 per cent over the full year from SKr115.8bn to SKr110bn, excluding negative exchange rate shifts. Operating profits were down 16 per cent from SKr5.3bn to SKr4.45bn for the full year.

Project finance market expands

By Conner Middelmann

The international market for project finance, which mobilises private capital for infrastructure, telecommunications and other projects, grew by 83 per cent in 1996, according to a survey to be published this week.

This follows strong growth in 1995, when bank lending for private projects grew by more than 50 per cent.

Bank lending to the project finance market was $42.8bn in 1996, up from $23.3bn in 1995. Including bond financings in the capital market, $47.6bn was raised to finance projects around the world, according to the survey by IFR Project Finance International, a specialist publication.

PFI's figures include all deals underwritten during the year hut exclude financing which has been totally guaranteed by government agencies.

Contrary to 1995, when market growth was propelled primarily by a sharp increase in lending to Asia, that region was largely stable last year, with the bulk of 1996 growth fuelled by European and middle Eastern projects.

"The Asian market continued growing steadily last year, but it's Europe and the Middle East that have really gone through the roof," says Mr Rod Morrison, editor of Project Finance International.

In the Middle East, which accounted for nearly $5bn of project loans, "several deals were finally booked in 1996 that had been worked on for two to three years", he says.

Europe accounted for $17.3bn of project loans, with the UK taking the lion's share at $10.1bn.

Large project loans in the UK included $3bn for Mercury One-2-One, the mobile phone operator, $2bn for cable company Telewest, $1.2bn for Humber Power, a $1.2bn refinancing for Teesside Power and a $500m facility for the Channel Tunnel Rail Link.

Although project lending in the UK was up sharply, hank lending to projects under the government's Private Finance Initiative only accounted for $1.8bn, or 18 per cent of bank loans.

A sectoral breakdown shows that some $15.7bn in bank loans were raised worldwide for power projects. That is followed by $13.3bn for telecoms projects, $4.2bn in infrastructure loans and $3.4bn for oil and gas business.

Agco puts Fendt into top gear

Agco, one of the three largest makers of farm equipment in the US, plans to step up sales in the US of a novel series of German-made tractors following its acquisition of Fendt, one of Europe's biggest independent tractor producers.

The tractors include high-speed machines which can reach 50kph, almost twice as fast as most conventional tractors.

Agco, based in Atlanta, completed the $321m purchase of Fendt this month in one of the biggest acquisitions in recent years in Germany by a US company.

Mr Robert Ratliff, chairman of Agco, said he planned to keep Fendt's manufacturing operations in Bavaria largely intact, but with a higher proportion of its sales being exported, particularly to the US.

Mr Ratliff has high hopes for a series of Fendt tractors which he says have features beyond anything that its rivals can produce.

These tractors have sophisticated suspension systems which make a relatively high speed possible without compromising safety or comfort. They also have automatic transmissions – a rarity where drivers sometimes have to cope with up to 30 gears.

Under Agco's plans, roughly half Fendt's sales of some $600m a year will be made outside Germany within three years, with the US seen as a particularly promising market, especially for the high-tech tractors. Currently, only about 30 per cent of Fendt's sales are through exports.

It is believed Agco could sell several hundred units a year of the new high-speed tractors in the US, giving it what Agco reckons could be an important technological edge on rivals which include John Deere and Case, the two other big US farm equipment makers.

Trevor Humphries

Robert Ratliff: has high hopes for Fendt tractors

"Tractors are generally a low-tech industry and when you find products like this it spices things up a bit," said Mr Ratliff.

The Fendt deal brings to more than $1bn Agco's spending on acquisitions since its start-up in 1990, since when it has become one of the US's fastest growing companies in the capital equipment sector.

As a result of the Fendt acquisition, more than half Agco's annual sales are in Europe, where it has become the second biggest supplier of tractors, after New Holland, part of Fiat.

Peter Marsh

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Peter Martin

Comic cynicism belies reality

What is tba investment significance of the Dilbert cartoon strip?

Dilbert, the serf in a high-tech office, perennial victim of management double-speak, has become a symbol of American business life. White-collar workers tape cut-out Dilbert strips to their cubicle walls. It now appears in over 1,400 papers in 35 countries. Dilbert's two management books are among the current US top-ten best-sellers, powered by such concepts as Great Lies of Management, including: "I have an open door policy" and "We reward risk-takers".

In companies across America, Dilbert is a symbol of disenchantment with reengineering, mission statements, and the jargon of modern management. What does this degree of disaffection tell us about the value of American shares?

One possible clue, you might think, lies in the relative performance of big companies to small. Dilbert was born, after all, in the software cubicles of Pacific Telesis, the west coast Baby Bell, wbere Scott Adams, his creator, was working at the time. Dilbert's roots are firmly in big-company soil. Small companies – more flexible, less bureaucratic, less given to empty posturing – must surely have outperformed their larger cousins in the Dilbert era?

Not quite, at least as far as the stock market is concerned, as the chart shows. If you had bought a representative basket of small-company shares seven years ago, when the Dilbert strip was born, you would be well ahead of a comparable selection of blue chips. But if you had delayed a year, the comparison would bave been much less favourable. And plumping for small companies rather than large in any of the past four years would hava laft you unhappy today.

Why is it thet bigger US companies bave outperformed their smaller cousins so successfully, in spite of everything that Dilbert tells us about how they are run?

One possibility is thet Dilbert is the exception rather than the rule – that American companies are not really run in the way he suggests. Yat Scott Adams, Dilbert's creator, receives floods of e-mail from his readers, vying to tell him of the latest meaningless memo or empty slogan. Bosses and management consultants rusb to endorse the fundamental truth of his vision.

Another possibility is that Dilbert's chickens will soon come home to roost, reversing the recovery in US profitability. That is conceivable, but a risky bet. US corporate profits, as a share of national income, still have a long way to go before regaining their levels of the 1970s.

The third and most likely possibility is that Dilbert-style management jargon, empty and de-humanising though it is, actually works. Big US companies have found a way of harnessing the energies of knowledge workers like Dilbert, a feat which few other economies have achieved on anything like the same scale.

Dilbert and his colleagues display a dazzling ewareness of computer trends, management theory, and business fundamentals. True, they also display e deep cynicism, but that is no more than a shield to protect tbem against the relentless flood of management-speak.

What counts is not what they say around the water-cooler, but what they do – work long hours, fix bugs, patiently answer idlotic questions from ignorant technology users, pnt up with 3 per cent pay rises, obey their bosses.

This is what underpins the belief that the US bull market is based on a real transformation in the productive potential of the economy. After all, every great bull run is based on a real truth, even if the self-reinforcing nature of market psychology subsaquently exaggerates it.

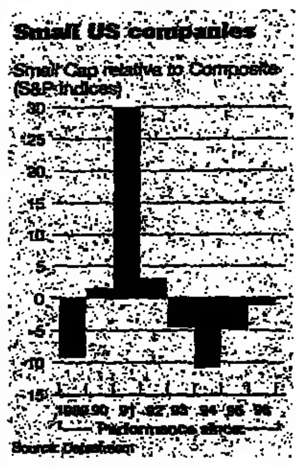
The truth this time is that the post-manufacturing economy has arrived, and thet the US is well-placed to compete in it.

That does not necessarily justify the valuations placed on US shares. But it does suggest that under the layer of this-time-it's-different hype lies a powerful stratum of wealth-generating enterprise.

The task for investors is to judge just how much that is worth; and to find companies in the US and elsewhere which best demonstrate it. In that search, the density of Dilbert strips on the office walls may prove to be an indicator of a company's ability to exploit the new era.

By the way, if you ask the Oracle at the Dilbert website the question "Is the US stock market over-valued?" you get the answer: "Find some other idiot to blame when things go wrong. And based on your question, you'd better find that person quickly." Excuse me, is that a buy or a sell?

Small US companies



Total return in local currency to 23/01/97

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.07	0.06	0.06	0.15	0.11
Month	0.47	0.04	0.28	0.28	0.62	0.52
Year	5.25	0.59	3.37	4.69	9.64	6.19
Bonds 3-5 year						
Week	0.09	–0.01	–0.14	–0.13	0.37	0.23
Month	–0.21	0.12	0.95	0.89	1.89	1.41
Year	2.94	5.01	6.28	9.51	20.44	6.38
Bonds 7-10 year						
Week	0.07	–0.30	0.02	0.26	0.80	0.43
Month	–0.88	0.08	1.35	1.76	3.12	1.67
Year	0.67	8.60	7.28	12.46	30.68	7.60
Equities						
Week	1.2	–2.0	1.4	2.0	5.2	1.8
Month	4.6	–7.7	6.8	7.7	23.2	4.8
Year	29.7	–11.6	27.3	33.5	30.0	18.9

Source: Cash & Bonds – Lehman Brothers. Equities-© FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

BT stock to buoy MCI despite flat quarter

MCI Communications, the US telecoms group, is expected to report fourth-quarter earnings tomorrow of 44 cents per share, up from 41 cents a year earlier, but flat when compared with the previous quarter, *reports AFX News in New York*.

Mr Robert Wilkes, Brown Brothers Harriman telecommunications analyst, said MCI's stock price was unlikely to see mucb impact from negative surprises as the proposed merger with cash-rich British Telecommunications would provide a great deal of protection.

"Because of the merger, MCI's share price will not be burt as much as other companies might be, even if the earnings are down," Mr Wilkes said.

"Whatever happens, BT's stock will hold np MCI's stock." Mr Wilkes pointed out that not all companies enjoyed such protection, noting the US investment community's recent tendency to drive down stock prices severely following earnings results that are merely adequate.

However, tbere is some uncertainty surrounding MCI's recent performance and Mr Wilkes declined to estimate MCI's fourth-quarter earnings.

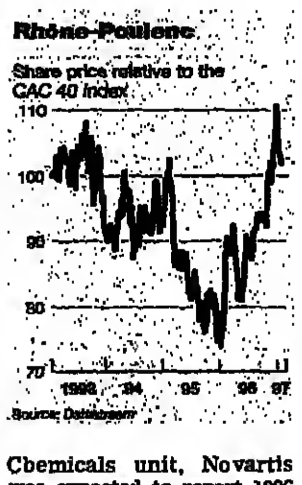
"The results will be very interesting to see," he said. "The long-distance industry has become much more competitive because AT&T has been under pressure, and has become more aggressive about pursuing customers. So there is some risk that MCI's earnings will be on the disappointing side."

■ Novartis, the recently formed Ciba-Sandoz combine, is tomorrow expected to announce sales little changed at between SFr35.7bn ($25.8bn) and SFr35.9bn last year compared with a proforma SFr35.9bn a year earlier, *AFX News reports from Zurich*.

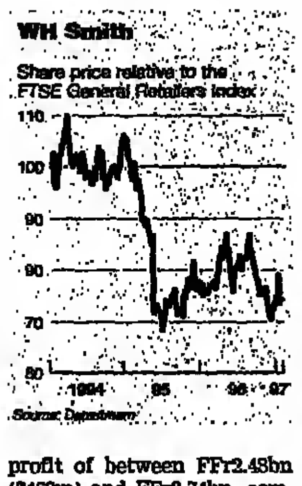
However, analysts said that calculating full-year sales was difficult as it remained unclear how the newly-merged company would account for divestments during 1995 and 1996, and they would therefore concentrate on the sales performance of core operations, namely pharmaceuticals, nutrition and agriculture.

Excluding divested operations and the soon-to-be spun off Ciba Specialty Cbemicals unit, Novartis was expected to report 1996 sales of between SFr27.3bn and SFr27.53bn, up from a proforma SFr25.731bn a year earlier, analysts said.

Rhône-Poulenc



WH Smith



■ Rhône-Poulenc, the French cbemicals conglomerate, is expected on Thursday to report a 1996 net profit of between FFr2.48bn ($460m) and FFr2.74bn, compared with FFr2.134bn, *reports AFX News in Paris*.

Analysts said tha company was experiencing a period of solid growth, with profits expected to continue to rise between 15 per cent and 20 per cent in 1997 and 1998.

Its first-half net profit rose to from FFr1.291bn to FFr1.410bn, et the higher and of analysts' forecasts, while nine months' net profit was up from FFr1.96bn to FFr2.166bn.

Analysts expect positive results from Rhône-Poulenc Rorer, its majority-owned quoted US subsidiary, which is due to report today on Monday afternoon, despite a product recall.

Ms Marie-Helène Leopold, Peribes Capital Markets pharmaceutical analyst, forecast 1996 eps for Rhône-Poulenc Rorer of $3.15 against $2.50 previously, for a net profit of $425.1m, up about 26 per cent from $337.8m.

■ Siemens, the German engineering conglomerate, is expected to report net profits of between DM500m ($314m) and DM506m for the first quarter to December, compared with DM503m a year earlier, *AFX News reports from Frankfurt*.

Analysts said Siemens, which releases first-quarter results tomorrow, will report an increase in sales from DM19.7bn to between DM20.5bn and DM21.5bn and a rise in new orders from DM22.2bn, to between DM22.6bn and DM23.5bn.

Siemens was not expected to upgrade its previous forecast of stagnant earnings in the current year, since profits would be dented by restructuring charges at its medical technology and transport division and a poor performance in semiconductor and electrical components, analysts said.

■ Total, the French oil group, is expected to report a net profit figure of between FFr5.2bn and FFr6.3bn, up from FFr2.248bn, wben it announces its estimated 1996 results on Wednesday, *AFX News reports from Paris*.

In 1995 the company reported e net profit figure of FFr2.248bn and e net profit on ordinary activities of FFr3.703bn. The reported figure was depressed by FFr1bn of charges related to changes in accounting practices and FFr500m for restructuring costs.

■ Fyffes, the Dnblin-based fruit and vegetable distributor, is expected today to announce profits last year up from I£40.5m to I£46m ($76m).

■ WH Smitb, the UK retailer, is set to announce on Wednesday its interim results for the six months to November. Analysts are expecting about pre-tax profits of about £38m ($63m), up from £17m.

Although some observers expect no change in the dividend others forecast an increase from 5.25p to 5.5p.

INTERNATIONAL EQUITIES By Louise Lucas in Hong Kong

Red chips starting to heat up

Hong Kong corporates, fired by bullish market sentiment, have kicked off the new year with a volley of share placements and more are expected to follow.

Some US$780m (£489m) have been raised in the first two weeks of the year.

"We are running out of first-tier companies to do placings, but there are a few more to be done," says Mr Russell Julius, bead of capital markets at Jardine Fleming, the Hong Kong-based investment bank.

Placements – the sale of existing or new shares to institutional investors by investment banks – have long been a favoured way to raise funds among both issuers and bankers in Hong Kong, and last year netted some HK$38bn (£3bn).

Strong sentiment on the Hong Kong market – particularly for companies witb exposure to China, known as red chips – allied to increasing liquidity from overseas has prompted the companies to swoop in tbe last few weeks.

"A placing is always opportunistic, in that it is done in 25 minutes on a standing mandate, which says that up to 20 per cent of the issue can be issued on a non-pre-emptive basis per year," says a banker, adding that this is among the more generous allowances in the region.

Compared with a medium-sized initial public offering, which requires a marketing period of four weeks and extensive documentation, a placement entails existing sbares and so avoids regulatory hurdles, especially in New York. Fees, bowever, are only slightly lower than those earned on an IPO.

Mr Tim Lambert, bead of equity syndicate at HSBC Investment Bank Asia, notes tbat investor AND issuar needs are more neatly met. "Tbe beauty of placings is the ability to raise capital in a sbort period of time with a theoretically limited impact on the share price's performance," he says.

This is borne out by one of the year's biggest issues, whicb came from China Travel International Investment and raised HK$1.51bn. Shares were placed out at HK$3.60 – representing a 4.6 per cent discount to the market, and by the end of the week were trading at HK$4.05 - the market has since fallen, and on Friday tbe sbares closed at HK$3.725.

Along with China Travel, another of January's biggest issues came from fellow red chip, China Overseas Land and Investment, which raised HK$1.59bn.

According to bankers, the issues were snepped up internationelly; Jerdine Fleming, which led tbe China Travel issue, says it was three times subscribed within half an bour, before investors from Europe or the US were even at their desks.

However, allocations tend to be held back and most issues have eeen a broad geographical spread. Asian investors bought about half the China Overseas issue, which was lead managed by ING Barings, and around 35 per cent went to Europe.

The lion's share of the China Travel issue was likewise absorbed in Asia, with the remaining 60 per cent split equally between Europe and the US.

Red chips are expected to dominate the upcoming calendar. "Red chips are running becausa investors are more relaxed about July, [wben Hong Kong reverts to Chinese sovereignty]," says Mr Julius.

Property companies, many of which were quick to tap the market last year, are also likely candidates. Property prices have continued to spiral after a 30 per cent rise last year, and the sector has led a number of the rallies on the stock market.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 24 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY JANUARY 23 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (77)	215.66	–2.5	198.32	162.08	182.39	185.67	–0.1	4.11	215.12	198.83	163.31	184.18	186.41	224.61	188.44	188.91
Austria (24)	185.36	–2.4	168.73	139.29	156.78	156.65	3.1	1.83	185.04	168.52	139.82	157.67	157.55	195.04	174.70	185.11
Belgium (26)	233.47	2.5	212.53	175.44	197.46	193.22	8.3	3.34	233.27	212.45	176.26	198.79	194.32	233.47	203.64	213.54
Brazil (28)	207.08	5.2	188.51	155.61	175.14	397.83	5.7	1.52	210.13	191.37	158.78	179.05	403.68	211.61	147.48	156.58
Canada (114)	196.25	3.4	175.65	147.47	165.98	191.49	1.5	1.91	197.37	179.78	149.14	168.18	191.77	201.62	152.68	152.91
Denmark (32)	352.21	0.1	320.62	264.67	297.88	297.49	6.3	1.47	352.08	320.85	266.04	300.00	299.43	365.15	291.30	299.93
Finland (28)	258.53	5.2	235.34	194.27	218.65	263.51	10.9	1.89	262.72	239.28	198.52	223.87	269.32	262.72	174.47	178.14
France (92)	213.14	–0.4	194.02	160.16	180.26	183.40	5.1	2.66	213.84	194.76	161.59	182.21	185.37	215.68	180.72	180.72
Germany (58)	187.70	–1.2	170.87	141.05	158.75	158.75	4.3	1.56	188.12	171.33	142.15	160.30	160.30	191.17	164.47	168.89
Hong Kong (59)	496.92	–2.0	452.35	373.41	420.27	493.84	–1.5	3.14	505.32	460.22	381.83	430.56	502.10	514.48	402.63	426.29
Indonesia (27)	243.15	6.6	221.34	182.71	205.64	354.18	7.1	1.46	245.25	223.36	185.32	208.98	357.15	–	–	–
Ireland (16)	320.87	–2.5	291.81	240.97	271.21	281.50	2.8	3.26	323.42	294.55	244.38	275.58	285.27	333.22	254.35	257.00
Italy (56)	95.41	14.3	86.85	71.70	80.69	113.02	19.2	1.85	95.32	87.72	72.75	82.07	115.20	96.32	70.61	76.39
Japan (480)	115.15	–10.8	104.82	86.53	97.39	86.53	–9.6	0.89	115.89	105.55	87.57	98.75	87.57	164.68	115.15	148.90
Malaysia (107)	628.00	4.1	571.67	471.91	531.13	602.12	2.6	1.03	627.74	571.71	474.34	534.89	601.15	628.00	504.22	517.27
Mexico (27)	1333.12	5.3	1213.54	1001.78	1127.48	11400.31	8.6	0.87	1348.83	1228.44	1019.21	1149.33	11487.48	1364.02	1046.56	1192.28
Netherland (18)	331.65	–1.3	301.90	249.22	280.49	278.45	4.2	2.67	333.39	303.63	251.92	284.08	279.97	336.15	272.32	274.43
New Zealand (14)	92.48	0.8	84.18	69.49	78.22	70.83	2.7	3.94	93.57	85.22	70.71	79.73	71.26	95.60	75.94	76.26
Norway (41)	312.20	5.5	294.19	234.60	264.04	276.08	7.5	1.82	309.91	282.25	234.15	264.08	277.81	318.25	224.41	228.25
Philippines (22)	208.83	2.5	190.10	156.93	176.62	274.13	2.7	0.93	208.47	189.86	157.52	177.63	273.59	–	–	–
Singapore (43)	434.90	3.6	395.89	326.81	367.82	282.15	4.3	0.96	440.77	401.43	333.06	375.58	286.05	465.21	371.26	438.69
South Africa (44)	322.42	1.2	293.50	242.28	272.88	325.05	–0.2	2.43	324.02	295.10	244.84	276.10	327.81	437.76	301.49	434.32
Spain (35)	217.74	–0.5	198.21	163.82	184.15	226.23	4.5	2.77	221.78	201.98	167.68	188.98	231.65	228.15	161.62	165.57
Sweden (50)	424.54	0.8	386.46	319.02	359.06	452.91	6.2	1.96	424.84	386.92	321.02	362.00	456.14	432.49	295.31	300.58
Switzerland (35)	239.50	0.4	218.02	179.97	202.56	208.56	5.0	1.39	238.30	217.03	185.06	203.05	210.44	254.34	219.29	224.30
Thailand (45)	101.79	6.2	92.66	76.49	86.09	101.90	8.9	3.37	101.70	92.63	76.85	86.66	101.90	193.95	91.23	183.29
United Kingdom (211)	276.05	–2.5	251.29	207.44	233.47	251.29	2.4	3.78	279.10	254.19	210.90	237.82	254.19	283.17	224.39	228.64
USA (654)	314.18	4.1	286.00	236.10	265.72	314.19	4.1	1.88	317.25	288.93	239.72	270.32	317.25	320.60	251.47	252.67
Americas (823)	287.64	4.2	261.94	216.15	243.27	241.84	4.1	1.87	290.40	264.48	219.44	247.45	244.10	293.38	229.90	230.94
Europe (726)	238.62	–0.4	217.22	179.31	201.81	214.12	4.7	2.72	240.07	218.64	181.40	204.56	218.61	242.22	198.39	200.53
Nordic (151)	369.11	1.7	336.00	277.37	312.17	340.94	6.9	1.86	369.81	336.81	279.44	315.11	344.05	375.85	265.96	269.82
Pacific Basin (874)	136.62	–8.1	124.36	102.66	115.54	102.60	–8.3	1.39	137.57	125.29	103.95	117.23	103.73	177.01	136.62	161.82
Euro-Pacific (1600)	179.10	–4.0	163.04	134.59	151.47	144.71	–0.4	2.13	180.26	164.17	136.21	153.60	146.35	191.51	176.40	177.73
North America (768)	307.10	4.1	279.55	230.77	259.73	306.10	4.0	1.88	310.03	282.36	234.27	264.17	308.96	313.26	245.34	246.48
Europe Ex. UK (515)	213.36	0.8	194.22	160.33	180.45	190.16	6.1	2.11	214.04	194.94	161.74	182.39	192.38	215.56	179.04	180.81
Pacific Ex. Japan (394)	315.08	–0.1	286.83	236.78	266.49	273.53	0.5	2.71	317.76	289.39	240.10	270.75	275.84	320.65	268.97	279.54
World Ex. US (1813)	182.30	–3.4	165.65	136.99	154.18	150.48	–0.2	2.11	183.49	167.12	138.65	156.35	152.11	193.47	177.71	179.86
World Ex. UK (2256)	218.33	0.3	198.66	164.82	185.60	192.17	1.7	1.80	221.02	201.30	167.01	188.33	194.13	224.89	199.35	199.38
World Ex. Japan (1987)	279.97	2.3	254.86	210.39	236.79	267.54	4.0	2.21	282.31	257.11	213.32	240.55	270.21	283.89	231.01	231.44
The World Index (2467)	224.15	0.0	204.07	168.46	189.60	197.53	1.7	2.00	225.98	208.81	170.78	192.55	199.57	228.97	201.97	201.97

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.64 (Local); Nordic: Dec 30, 1988 = 139.68 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 184.40 (Local).

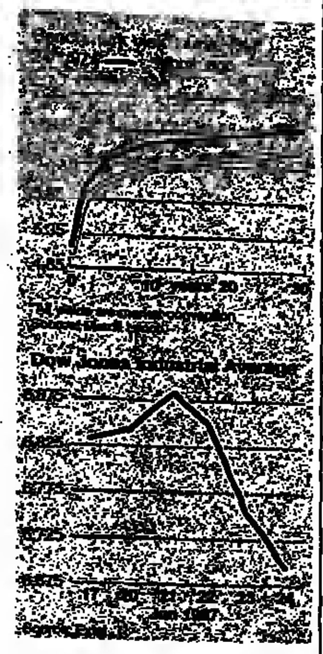
MARKETS: This Week

The mood changed suddenly on Wall Street last week. Unprompted by any new economic or corporate data, the Dow Jones Industrial Average and all the other stock indices hit reverse in the last few days of the week, with the Dow itself falling from 6,900 early on Thursday afternoon to a Friday close of 6,696.48, but above its lows.

Pressure from the bond market provided a partial explanation. Yields on the benchmark 30-year bond continued to climb last week, and were at times above 6.90 per cent, in a return to territory not seen since last September. At Friday's close the bond was yielding 6.886 per cent.

But corporate earnings figures had generally been better than the consensus of market expectations, and last week's news on the economy was generally upbeat, with Mr Alan Greenspan, the chairman of the Federal Reserve, omitting to drop any hints of a base rate rise in congressional testimony.

The sell-off appeared to be triggered by technical factors, particularly by "program" selling, motivated by the belief that share prices had grown too far and too fast. As the market fell further on Friday, much of the activity appeared to be driven by momentum, amid exceptionally heavy trading volume.



This week, the focus will return to the economy. Tomorrow sees the publication of the employment cost index for the fourth quarter of 1996, the key measure of "cost-push" inflation within the economy. If wages have started to accelerate more than expected, then the arguments for a monetary tightening will return.

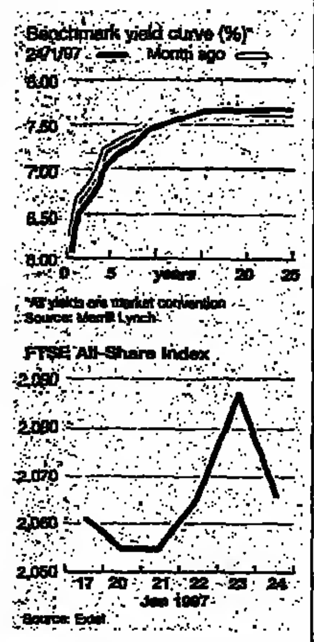
LONDON By Philip Coggan

The arguments over whether UK interest rates need to be raised will be joined today when fourth-quarter gross domestic product figures are published.

Last week, weak retail sales data convinced the market that Mr Kenneth Clarke, the chancellor, would hold off calls from Mr Eddie George, the governor of the Bank of England, for a rate rise before the election. Sterling fell, a development which, combined with rate optimism, took the FTSE 100 index to all-time high on Thursday.

The gains were reversed on Friday in face of weakness on Wall Street, which also hit gilts. A strong GDP figure could add to the pressure. "Clear evidence of above trend growth would still leave (the chancellor) under a great deal of pressure to raise interest rates at the next policy meeting on February 5," says Mr John Shepperd, chief economist at Yamaichi International (Europe).

Traders will be hoping for a quieter week. The UK stock market's sharp rise so far this year has caught many by surprise. "The extent of the move has undoubtedly been exaggerated by the tight market conditions, which has seen marketmakers,



wary of holding excessive stock on their books, wrong-footed by sudden waves of buying orders," says Ian Williams, UK equity strategist at Panmure Gordon.

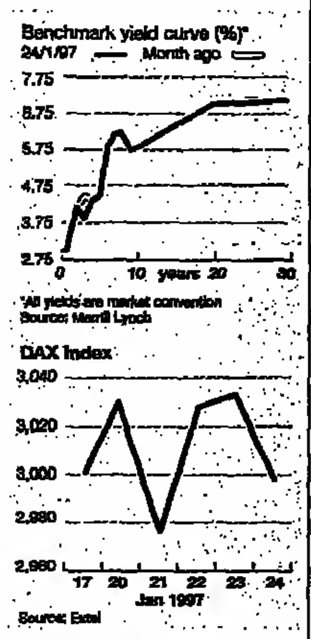
There is little in the way of results news to excite the market, with Wednesday's figures from W. H. Smith likely to be the highlight. Bid rumours still abound, bowever, and with the electioo getting ever closer, predators may be tempted to act sooner rather than later.

FRANKFURT By Andrew Fisher

Weakness in US shares on Friday aggravated nervousness in Germany. After a heady run-up last year and so far in 1997, investors have been uneasily aware that German securities must pause for breath some time. Thus the DAX blue chip index slipped below 3,000 after its brief triumph at breaching this psychologically important level the week before.

Landesbank Rheinland-Pfalz said now was the time to take some profits. Further purchases could wait till a consolidation phase set in. The bank said that since German economic fundamentals – hesitant recovery with no obvious inflationary dangers – posed few risks for domestic shares, risks came mainly from tha uncertain US mood.

Thus it added in a metaphoric swirl, investors should "keep their powder dry for the moment or put part of their harvest in the barn". If US trends do not depress sentiment too much, investors may draw some pointers from the sprinkling of results due this week. Tomorrow, Siemens will report first-quarter figures, while Commerzbank will give a preliminary indication of 1996 profits. SAP, the business software company whose flatter growth path



has disappointed some analysts, will announce annual results on Friday.

The market has been belped by the weaker D-Mark against the dollar, but signs multiplied last week that German officials thought the currency movement had gone far enough. Mr Ernst Welteke, a Bundesbank council member and head of the regional central bank for the state of Hesse, said the low D-Mark argued against lower short-term interest rates.

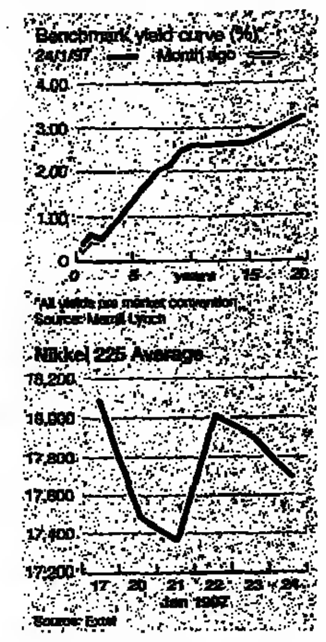
TOKYO By Gwen Robinson

The Bank of Japan's decision last Thursday to delay the release of its widely-watched "tankan", a quarterly economic survey of business confidence, until after the business year-end on March 31 has deepened fears that the economic outlook is worse than expected.

Central bank officials said the dalay, for more than a month from late February to early April, is merely due to an ongoing overhaul of the survey's format. But investors clearly interpreted the move as a sign that official forecasts for economic growth of 1.9 per cent in 1997 have been overly optimistic.

Analysts believe that the BoJ fears the survey, regarded as the most comprehensive guide to the country's short-term economic outlook, will have a negative impact on capital markets and corporate sentiment in the critical period when companies are closing their accounts. Bonds firmed and share prices slid further on the news. The Nikkei 225 average closed the week at 17,689.36, down 400, or nearly 3 per cent, from the previous week's finish when the index lost about 2.6 per cent.

Equities also suffered downward pressure from the



dollar's climb to a 47-month high of Y120.20 on Friday, which prompted foreign investors to step up selling Japanese equity boldings to counter further foreign exchange losses on their yen-denominated assets.

In the week ahead, investors will watch closely for signs of official support for the slumping stock market. In the absence of fresh incentives for investors to commit either way, bonds and equities are likely to continue fluctuating.

Spotlight set to fall on zinc

Zinc – tipped by many analysts as the metal to watch in 1997 – will move centre staga next Sunday with the start of tha American Zinc Association's annual conference.

The bullish mood on zinc is the result of predictions that the market is likely to suffer from a growing supply deficit. This is bound to drive up prices on the London Metal Exchange, where it is the third most heavily traded metal in tonnage terms.

Zinc's main markets are in coatings to protect iron and steel from corrosion, zinc alloys for casting, and as an element in brasses. Other markets include the use of zinc sheet for roofing and cladding buildings and the use of zinc oxida in tyres.

Metals analysts at Paribas Capital Markets say zinc is "the flavour of the month". "Zinc starts the year with the best fundamental outlook of all the LME metals," they add. "While recently announced mine closures may be raversed if zinc prices strengthen this year, we expect Chinese metal exports to decline."

They say increased demand for zinc is particularly strong in Latin America, with increased car production in Brazil driving up galvanised sheet offtake in recent months.

They see prices consolidating above the $1,000 a tonne mark. On Friday zinc for three-month delivery closed at $1,139 a tonne, a fall of $12 from Thursday's close.

Analysts at Macquarie said that zinc's position has steadily improved over two years – with LME stock figures falling in each month over this period.

"Prices have only just begum to react to this decline and with stocks likely to hit critical levels around the middle of the year, a further strong rally is in prospect."

The conference – to be held in Scottsdale, Arizona – will last four days. Speakers will include Mr David King, the chief executive of the LME and Mr David Thompson, the president of Canadian zinc producer Cominco.

OTHER MARKETS Compiled by Jeffrey Brown

European bourses ran into modest profit-taking on Friday courtesy of a nervous Wall Street, but most centres remained within easy reach of all-time highs.

PARIS

French investors face a barrage of corporate news this week, with four components of the CAC 40 index due to produce annual results. The market consensus is for solid profits progress all round on most counts. Brokers are hoping that the upbeat mood can be further bolstered when the Bank of France council meets on Thursday. Many analysts have tentatively pencilled in another small reductioo in interest rates.

A cut in money costs would be timely. Having hit a further string of new all-times highs last week, French sbare prices may need some additional underpinning, although most brokers continue to predict further progress, Wall Street permitting.

Bouygues sets the results ball rolling tomorrow with numbers that are expected to reflect the dire condition of the French building industry, but thereafter the news should improve rapidly. Total reports on Wednesday and Rhône-Poulenc the following day.

Oil buffs are looking for earnings growth in excess of 45 per cent from Total, but a number of brokers are even more optimistic. UBS reckons "there is potential for a good earnings surprise". Last week HSBC James Capel strongly upgraded its profit forecasts for the sector.

Foods leader Danona puts out a preliminary statement on Wednesday and the same day sees turnover figures from Pinault-Printemps, always an eagerly awaited event in the retailing calendar.

ZURICH

Pharmaceuticals stocks will remain at the centre of attention as Novartis publishes 1996 sales figures tomorrow. Novartis, the product of last year's merger of Ciba and Sandoz, played second string last week to Roche as a series of rumours, suggesting a merger, acquisition or restructuring, swept through the market, pushing Roche shares sharply higher.

Adecco, the result of the merger of Switzerland's Adia and Ecco of France, is also likely to remain in focus after its shares' recent strong performance. Seen as a strong dollar play, the temporary employment group expects to gain from more liberal employment laws in Germany and Italy.

STOCKHOLM

Swedes woke up on Friday to press reports of an imminent merger announcement from S-E-Banken and the state-owned Nordbanken. Both bank stocks raced ahead in active trading.

But the excitement was tempered slightly by some disappointing profits from Electrolux, and by the end of the day brokers were showing signs of edginess about this week's upcoming results.

Stora is due to report this week. SCA and retailer Hennes & Mauritz both announce annual earnings on Wednesday. Autoliv reports on Thursday.

HONG KONG

New York is likely to continue setting the tone for the market this week, after losses on Wall Street drove the territory's benchmark Hang Seng Index 1.7 per cent lower on Friday, writes Louise Lucas in Hong Kong.

However, brokers reckon the Hang Seng is well supported at 13,379, and note that prevailing sentiment is strong, boosted by a buoyant property sector and the recent strength of red chips, China-related stocks. Liquidity, much of it from overseas, remains strong. The January future contracts expires at the end of this week.

Greenspan focuses on employment cost index

A pet statistic of Mr Alan Greenspan is the US employment cost index. The chairman of the Federal Reserve will be watching it particularly closely tomorrow.

Tha US economy appears to be surging while inflation looks tame. All seems well. However, if the index for last year's fourth quarter shows rising wage pressures, Mr Greenspan could well call for higher interest rates when the Federal open markets committee meets on February 4 and 5.

The markats expact the index to show a year-on-year increase of about 3.3 per cent for the fourth quarter. Anything stronger and chances of higher rates will be seen to have risen. They will also rise if fourth-quarter gross domestic product figures emerge as strong as expected on Friday. A jump in interest rates could initially hurt the buoyant dollar.

The pound is also in thrall to an interest rate decision next week. Mr Kenneth Clarke, the UK chancellor, and Mr Eddie George, governor of the Bank of England, have a monetary policy meeting on Fabruary 5. Many consider this Mr Clarke's last chance to raise interest rates before the general election, due to be held by May. There is little data out between now and the meeting to influenca him, but what there is will be closely scanned.

Provisional fourth-quarter GDP figures appear today, trade figures tomorrow and consumer credit data on Thursday. The pound itself will also offer clnes. Mr Clarke said on January 16, the day after his last monetary maeting with Mr George, that he left rates unchanged then because the pound's strength was curbing inflation. Last week the pound plummeted. If it falls further, it will cease to protect against inflation, and will provide another argument for higher rates. The only major central bank at all likely to change interest rates this week is the Bank of France, which could make a small cut.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Allied Irish Banks (Ireland)	Dauphin Deposit Corp (US)	Banking	$1.36bn	Bolstering US retail operations
Allianz (Germany)	Allianz Via Holding (France)	Insurance	$400m	Buying out partner Paribas
Thermo Instrument Systems (US)	Life Sciences Intl (UK)	Scientific Instruments	$394m	Recommended offer
Teck Corp (Canada)/ Camelot Resources (Australia)	Mt Edo Gold Mines (Australia)	Mining	$123m	Joint cash offer
RTZ-CRA (UK/Australia)	Caballo Rojo (US)	Mining	$99m	Cash buy
Novartis (Switzerland)	SyStemix Inc (US)	Biotechnology	$76m	Buying outstanding stake
Abbey National (UK)	Dah Sing Financial Holdings (HK)	Financial services	$50m	"Logical" 5% step
Bic (France)	Tipp-Ex (Germany)	Stationery	n/a	Bic strengthening core

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 24, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7732.83	4750.00	2819.83	3995.63
Albania	(Lek)	179.862	109.750	87.4658	92.3200
Algeria	(Dinar)	94.2918	57.9223	35.8081	48.7233
Andorra	(French Fr)	8.9337	5.4855	3.3721	4.6143
	(Sp Peseta)	223.363	137.150	84.3092	115.368
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France	(Fr)	8.9337	5.4865	3.3721	4.6143
Fr. Cty/Africa	(CFA Fr)	983.370	548.550	337.208	461.432
Fr. Guiana	(Local Fr)	8.9337	5.4865	3.3721	4.6143
Fr. Pacific Is	(CFP Fr)	159.940	98.2490	60.3959	82.6455
Gabon	(CFA Fr)	893.370	548.550	337.208	461.432
Gambia	(Dalasi)	16.0979	9.8888	6.0788	8.3183
Germany	(D-Mark)	2.6494	1.6266	1	1.3684
Ghana	(Cedi)	2816.27	1730.00	1063.47	1455.25
Gibraltar	(Gib £)	1	0.6140	0.3775	0.5165

		£ STG	US $	D-MARK	YEN (X 100)
Greece	(Drachma)	418.059	253.470	157.043	214.897
Greenland	(Danish Krone)	10.1141	6.2103	3.6176	5.2240
Grenada	(E Carib $)	4.3953	2.7000	1.6598	2.2712
Guadeloupe	(Local Fr)	8.9337	5.4855	3.3721	4.6143
Guam	(US $)	1.6286	1	0.6147	0.8412
[illegible]					
N'nd Antilles	(A/Guilder)	2.9140	1.7900	1.1004	1.5057
New Zealand	(NZ $)	2.3489	1.4423	0.8866	1.2132
Nicaragua	(Gold Cordoba)	14.5673	8.9485	5.5008	7.5273
Niger Rep	(CFA Fr)	893.370	548.550	337.208	461.432
Nigeria	(Naira)	35.8138o	22.0000	13.5239	18.5061
	(Naira)	129.702m	79.6400	48.9565	66.9918
Norway	(Nor. Krone)	10.6109	6.5153	4.0051	5.4806
Oman	(Rial Omani)	0.6271	0.3850	0.2367	0.3239

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)(3)	65.2742	40.0799	24.6380	33.7146
Panama	(Balboa)	1.6286	1	0.6147	0.8412
Papua New Guinea	(Kina)	2.2433	1.3774	0.8467	1.1586
Paraguay	(Guarani)	3451.15	2120.00	1303.21	1783.31
Peru	(New Sol)	4.2792	2.6275	1.6152	2.2102
[illegible]					
Yemen (Rep of)	(Rial)	211.627r	130.000	79.9139	109.394
Yugoslavia	(New Dinar)	8.3812	5.0832	3.1309	4.2843
Zaire Rep	(Zaire)	248825.5	152850.5	93960.7	128573.5
Zambia	(Kwacha)	2104.58	1293.00	794.836	1087.65
Zimbabwe	($)	17.7436	10.8950	6.6974	9.1647
ECU	(ECU)	1.3683	0.8402	0.5165	0.7067
SDR	(SDR)	1.16517	0.713921	0.435578	0.598340

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Angolan Readjusted Kwanza devalued on 4/3/96. (2) Two tier rate replaced by floating Venezuelan Bolivar 22/4/96 (3) Pakistan Rupee devalued by 7.86pc against US dollar 22/10/96 (4) Market rate now shown for Cuba; FT enquiries to Business Research Centre 0171 873 4929. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.

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Friday, January 24, 1997

MARKETS: This Week

INTERNATIONAL BONDS By Conner Middelmann

Retail hunger spurs Czech koruna issues

Retail investors' appetite for double-digit coupons, and attractive swap arbitrage, have led to a veritable explosion in Czech koruna eurobond issues in recent weeks.

In the first three weeks of the year, 17 eurobonds worth Kč26.5bn ($968m) have been issued, according to Capital Data Bondware. That is more than half the 26 deals worth Kč32.6bn sold during all of 1996, and market participants say there is plenty more to come.

"This year will be the year of eastern Europe – everyone is jumping on the bandwagon," says Mr Kay Haigh, senior economist at Deutsche Morgan Grenfell. "Ever since it has become possible to buy eastern European risk in the eurobond market, retail has become very interested."

Last year saw maiden eurobond issues for many eastern European borrowers, including Russia, Kazakhstan, Romania and Slovenia, and more firsts are expected this year from borrowers such as Ukraine, Croatia, Moscow and St Petersburg.

Eurobonds can be easily bought and cleared, which makes them attractive for yield-hungry retail investors, unlike eastern European domestic bonds which are accessible only to professional market participants.

"With double-digit coupons and an appreciating currency, a lot of European retail investors have gained positive experiences with Czech koruna paper and want more of it," says a syndicate official in Frankfurt. Most koruna bonds have been sold to retail investors in Germany, the Benelux region and Switzerland.

In addition to coupons of 10 per cent and higher, D-Mark based investors have made currency gains of about 7 per cent during 1996.

The koruna is pegged to a currency basket with a 65 per cent D-Mark weighting and a 35 per cent US dollar share. Since the Czech National Bank last February widened the koruna's trading bands to 7.5 per cent either side of the basket's parity, it has appreciated markedly. On Friday, it traded at Kč17.05 to the D-Mark, a 4.3 per cent premium to the central parity.

Meanwhile, arbitrage opportunities, especially in one-year to three-year maturities, have made it advantageous for borrowers to tap the koruna market. "Most recent issues have given borrowers funding at double-digit spreads below Libor," says the syndicate official.

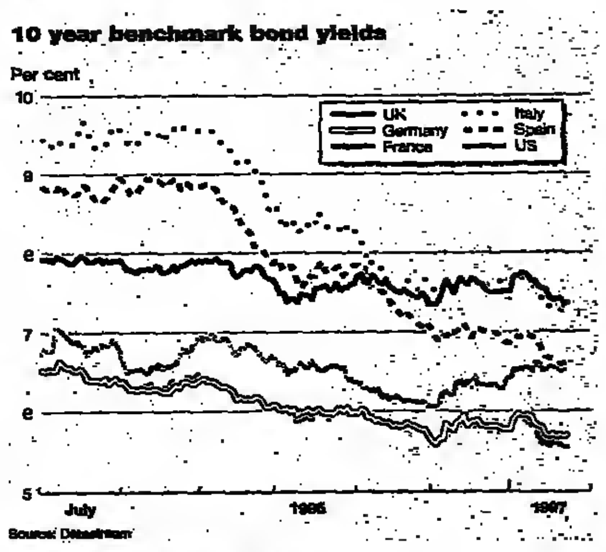
The swap market has matured since the first koruna bond was launched in September 1995. "The swap curve now goes to seven years and some people even quote as far as 10 years," says one dealer. And "where in the early days there might have been two or three swap counterparties, there are now 10".

The main risk to Czech koruna bondholders remains currency depreciation – something the Czech authorities may not be overly worried about since the strong koruna is one of the factors hurting exports. Koruna weakness could be caused by falling interest rates amid declining inflation and the Czech Republic's rising current account deficit, which Mr Haigh forecasts at nearly 8 per cent of GDP in 1997.

Therefore, he recommends switching into the Slovak koruna, which is also pegged to a D-Mark/dollar basket and is trading around its central parity.

So far, only five Slovak koruna eurobonds have been launched, but if issuance increases, it could draw some buying away from the Czech sector. However, Slovak koruna outperformance "is likely to be a short-term phenomenon as the Czech Republic's economic fundamentals are still superior to Slovakia's", says Mr Haigh.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.15[1]	7.50	6.00[2]
Overnight	5.13	0.50	3.08	3.23	7.43	6.00
Three month	5.16	0.29	3.09	3.25	7.08	6.25
One year	5.61	0.53	3.10	3.25	6.38	6.75
Five year	6.40	1.35	4.47	4.52	6.35	7.12
Ten year	6.53	2.48	5.73	5.82	7.27	7.46

(1) France-intervention rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Commerzbank O'seas Fin‡	750	Jan 2001	(a,l)	99.74R	-	-	Commerzbank, London
Republic of Argentina	2bn	Jan 2017	11¾#	99.416R	11.45	+462½(Aug26)	Merrill/JP Morgan
Nationsbank Cap Tst III(e)‡	500	Jan 2027	(f1,s)	98.49R	-	-	Nationsbank
Captiva II Finance(f)‡	255	Jan 2003	(f1)	100.00	-	-	Citibank International
SNCF(s)	250	Aug 2002	6.50	99.83R	6.549	+12(M 5yr)	Paribas Capital Markets
Banco Sabra(g,s)	200	Dec 2004	8.375#	99.75R	8.32	+218(5¾%-99)	Bear Stearns/UBS
LB Schleswig-Holstein(l)	200	Mar 2001	6.25	99.506R	6.38	+7(l)	HSBC Markets
BNP Pacific (Australia)	200	Feb 1999	6.125	99.895R	6.182	+6(M 2yr)	BNP, London Branch
Province of Quebec	750	Jan 2007	7.00#	99.166R	7.118	+58(6½Oct06)	CSFB/Goldman/Merrill
CCCMT, 97-2, Class A(p)‡	750	Feb 2002	6.55#	99.805R	6.596	+30(M 5yr)	Citicorp Securities
Goldman Sachs Group(q)‡	500	Feb 2004	(q1)	99.84R	-	-	Goldman Sachs Intl
IBM Corp	250	Feb 2000	6.25	99.764R	6.339	+15(5⅞Nov99)	SBC Warburg
Banque Internationale a Lux	200	Mar 2001	6.375	99.85R	6.419	+10½(l)	BIL/Citibank Intl
Oest Postsparkasse(s)	200	Dec 2000	6.125	99.755R	6.205	+2(5¾Nov99)	Bear Stearns Intl
Toyota Motor Credit Corp	350	Feb 2002	6.375	99.545R	6.484	+7(M 5yr)	Morgan Stanley/UBS
Beta Finance Corp	250	Feb 2000	6.25	99.73R	6.355	+14(5⅞Nov99)	SBC Warburg
Guinness	250	Feb 2000	6.25	99.749R	6.345	+13(5⅞Nov99)	JP Morgan Securities
Kingdom of Denmark★	210	Aug 2000	5.72#	100.00	5.720	-	IBJ Intl/New Japan
Helaba International Finance	200	Feb 2000	6.125	99.772R	6.211	+8(5⅞%-99)	Paribas Capital Markets
LW Rentenbank	200	Feb 2000	6.125	99.772R	6.211	+8(5⅞%-99)	ABN Amro Hoare Govett
Santander Fin Issuances‡	150	Feb 2007	(t)	99.708R	-	-	Salomon Brothers Intl
Unibanco, Gd Cayman(l)	150	Mar 2000	8.00#	99.923R	8.02	+190(5⅞%-99)	SBC Warburg
BFCE(f1)‡	100	undated	(f1)	99.584R	-	-	Morgan Stanley Intl
First Chicago NBD Cap I(M)★‡	250	Feb 2027	(M1)	98.959R	-	-	Lehman Brothers Intl
GECC(N)	150	Feb 2002	6.75	100.05R	6.738	+27(6¼Jan02)	Morgan Stanley Intl
Bremer LB Capital Markets	100	Mar 2001	6.375	99.64R	6.480	+10(l)	BGL/Citibank
D-MARKS							
McDonald's Corp	200	Feb 2002	2.50	91.00R	4.553	+20(5%Aug01)	SBC Warburg
Bertelsmann US Finance	200	Feb 2002	4.50	100.94	4.287	-	Commerzbank
Swedish Export Credit	100	Dec 2004	(b,s)	99.40R	5.48	+3(7½%Nov04)	Kredietbank Bankverein
European Investment Bank	1bn	Feb 2017	zero	28.75R	6.431	-	CSFB
Merrill Lynch & Co‡	300	Feb 1999	(b)	99.965R	-	-	Merrill Lynch (Deutsch)
Ecuador Synthetic(r)	100	Mar 2015	(r1)	99.75R	-	-	CSFB
European Investment Bank‡	100	Mar 2007	(O)	101.125	-	-	Morgan Stanley Bank
YEN							
Finnish Export Credit(t)★	10bn	Aug 1998	4.00#	100.00	-	-	Wako Intl (Europe)
Korea Development Bank	70bn	Feb 2002	1.875	100.00R	1.875	+17(JGB 144)	Nomura International
Eksportfinans(P)★	10bn	Feb 1998	4.00#	100.00	-	-	Citibank International
Société Générale★	10bn	Jan 2002	(U)	100.00	-	-	Nikko Europe
FRENCH FRANCS							
Cades(s)	10bn	Oct 2000	4.00	99.811R	4.051	+6(7%Oct00)	Paribas/SocGen
Council of Europe‡	1.3bn	Feb 2007	(W)	100.00R	-	-	BNP/CDC Marchés
STERLING							
BAA(c)	200	Feb 2007	7.875	99.315R	7.977	+46(7¼Dec06)	HSBC Markets
GMAC International Finance	150	Feb 2000	7.125	99.846R	7.184	+41(8%Aug99)	Deutsche Morgan G'fell
University of Harvard	73	Feb 2000	6.875	99.89R	6.917	+15(8%Aug99)	Merrill Lynch Intl
Nestlé Holding(UK)	100	Feb 2000	6.75	99.56R	6.917	+7(8%Aug99)	SBC Warburg
Bank of Ireland(w)‡	200	Feb 2009	(w1)	99.90	-	-	Lehman/JPM/SBCW
Woolwich B/S(x)‡	150	Feb 2012	(x1)	99.47R	-	-	CSFB/UBS
Rabobank International	150	Feb 2000	6.75	99.80R	6.826	+13(8%Aug99)	CSFB/HSBC Markets
United Parcel Service	100	Feb 2000	6.875	99.89R	6.917	+10(8%Aug99)	Merrill Lynch Intl
SBC, Jersey Branch	100	Feb 2000	6.75	99.825R	6.816	+15(8%Aug99)	SBC Warburg
EBRD(s)★	100	Nov 1998	6.00#	100.00	6.000	-	Nikko Europe
EBRD(s)★	300	Feb 2000	6.20#	100.22	6.12	-	Nomura International
Bayerische Hypo	100	Feb 2000	7.00	99.62R	7.145	+36(8%Aug99)	SGST Securities
IMI Bank International	75	Feb 2000	7.00	99.7279R	7.104	+35(8%Aug99)	BZW
Daimler-Benz UK	100	Feb 2000	7.00	99.60R	7.153	+33(8%Aug99)	Goldman Sachs Intl
Britannia Building Society‡	50	Jan 2000	(O)	100.125	-	-	Merrill Lynch Intl
Irish Permanent‡	50	Jan 2000	(O)	100.15	-	-	Merrill Lynch Intl
SWISS FRANCS							
DSL Bank(y)	150	Feb 2002	3.25	103.25	-	-	CSFB
Merrill Lynch & Co‡	200	Aug 1998	(R)	100.00	-	-	Merrill Lynch Cap Mkts
Merrill Lynch & Co‡	300	Feb 1999	(S)	100.10	-	-	Merrill Lynch Cap Mkts
Kyushu Electric Power	350	Feb 2007	4.00	102.55	3.690	-	SBC Warburg
ITALIAN LIRE							
SMM Cof	450bn	Jan 1999	(l)	100.00	-	-	JP Morgan Securities
Bayerische Hypo(k)‡	300bn	Mar 2005	(k1,l)	98.70R	-	-	BCI/Cariplo/JP Morgan
Rabobank Nederland(m)‡	250bn	Mar 2007	(m1)	99.375RR	-	-	Credito Italiano
World Bank(z)‡	400bn	Mar 2007	(z1)	99.625RR	-	-	Credito Italiano
European Inv'ment Bank(A)	300bn	Feb 2000	zero	99.75R	-	-	Deutsche Morgan G'fell
WestLB Finance Curacao(J)	250bn	Feb 2002	(J1)	101.455	-	-	BRL/Cariplo/San Paolo
Kingdom of Sweden(T)‡	150bn	Mar 2007	(T1)	99.325RR	-	-	Credito Italiano
GUILDERS							
LB Schleswig-Holstein	125	Mar 2007	(B)	101.35	5.53	-	BGL/Generale Bank
Bacob Overseas(f)	125	May 2002	5.00	100.425R	4.90	+21(l)	Kredietbank Intl Group
Dresdner Bank	750	Feb 2007	5.75	99.2225	5.855	+21(5¾Feb07)	ABN Amro Hoare Govett
DePfa Finance(s)	200	Dec 2002	5.00	99.875R	5.03	+12½(l)	Rabobank International
AUSTRALIAN DOLLARS							
NSW Treasury Corp(d,s)	100	Jul 2002	7.00	101.435	-	-	Toronto Dominion Bank
C'wealth Bank of Australia	100	Mar 2002	7.125	101.71	6.711	-	CIBC
ABB International Finance	100	Feb 2002	7.00	101.47	6.645	-	Hambros Bank
KfW International Finance	100	Feb 2007	7.25	100.42	7.190	-	Toronto Dominion Bank
LUXEMBOURG FRANCS							
Nordic Investment Bank(s)	2bn	Dec 2005	5.50	102.25	5.18	-	BGL/BIL
DSL Bank	2bn	Mar 2007	(n)	102.75	5.45	-	Crédit Européen-BBL
ECU							
Crédit Local de France(l)	100	Jun 2003	5.25	101.30	5.00	-	BIL
Bayerische Vereinsbank(l,s)	100	Dec 2003	5.375	99.687R	5.431	+19(6½-03)	Morgan Stanley Intl
Crédit Local de France(s)	100	Jun 2003	5.25	101.30	5.00	-	BIL
Bayerische Hypo(s)	100	Dec 2004	5.75	101.785	5.486	-	ABN Amro/BBL
PESETAS							
Dr MH	10bn	Feb 2000	5.10	100.88	4.778	-	Banco Central Hispano
SNCF	10bn	Feb 2002	5.50	100.585	5.364	-	BCH/UBS
LW Rentenbank(E)	12bn	Mar 2003	(E1)	101.35	-	-	BBV
CANADIAN DOLLARS							
Province of Nova Scotia(s)	250	Dec 2002	6.25	99.57R	6.344	+22(l)	Toronto Dominion Bank
Bayerische Vereinsbank(s)	100	Dec 1999	4.50	99.04R	4.87	+15(8½%-99)	Toronto Dominion Bank
DANISH KRONER							
Nordic Investment Bank	400	Dec 2004	(n)	101.66	5.79	-	Den Danske Bank
BBL International Finance	700	Dec 2004	zero	63.50	6.703	-	Bank Brussels Lambert
ESCUDOS							
European Investment Bank‡	10bn	Feb 2004	(F)	100.00	-	-	CGD/Citibank Portugal
Argentaria Global Finance	10bn	Feb 2007	(G)	100.00	-	-	BNV/BNM/SFI
Bayerische Vereinsbank‡	10bn	Feb 2007	(L)	100.00	-	-	Deutsche Morgan G'fell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. RR: Recommended re-offer. a) 3-mth Libor -12½bp. b) 4% to 28/12/00, then 7%. c) Spens call provision. Restructuring event put option. d) Fungible with A$100m. e) Callable after 10 yrs at par. e1) 3-mth libor +55bp. f) Partly paye: ⅓ on Jan 28, Feb 28 and Mar 27. Legal maturity: 31/1/10. Amortise as pass throughs after 5 yrs. f1) 3-mth Libor +26bp. f2) Class B: $45m. g) Call & put on 20/12/99 at 89½% and on 20/12/01 at 93½%. h) 3-mth Libor +8¼bp. i) Over interpolated yield. j) 6-mth Libor flat. k) Call on 7/3/01 at par. k1) 8% to 7/3/01, then 20% - 2 x 12-mth Libor. l) Long 1st coupon. m) Call on 6/3/00 at par. m1) 10% to 6/3/00, then 19½% - 2 x 6-mth Libor. n) 5% to 19/3/01, then 6% to 19/3/04, then 7¼%. o) zero to 30/12/99, then 10¾%. p) Citibank Credit Card Master Trust. Legal maturity: 16/2/04. Class B: $40m, 6.70%s.a, 99.804596%, via Merrill Lynch. q) Callable from 10/2/00 at par. q1) 3-mth Libor +25bp. r) Underlying: PDI due 2015. Call on 16/3/01 at par. Amortises in 5 equal installments from 16/3/11. r1) 13½% to 16/3/01, then 10¼%. s) Short 1st coupon. t) Redemption determined by Y/$ rate. u) Plus 114 days accrued. v) 4.6% to 30/2/02, then 7ec-10 -96bp. w) Callable from Feb 04 at par. w1) 3-mth Libor +35bp to Feb 04, then +85bp. x) Callable from Feb 07 at par. x1) 3-mth Libor +37½bp to Feb 07, then +137½bp. y) Fungible with SFr250m. Plus 39 days accrued. z) Call on 27/3/00 at par. z1) 9½% to 27/3/00, then 19½% - 2 x 6-mth Libor. A) Redemption linked to Italian MIB-30 equity index. B) 5% to 20/3/02, then 6⅛%. C) 4½% to 29/4/01, then 7%. D) Spread relates to French govts. E) Callable on 3/3/00 at par. E1) 5.60% to 3/3/00, then 6.60%. F) 5.62% to 12/2/02, then 12¼% - 12-mth Libor, min 4%. G) 3-mth Libor +25bp. H) Fungible with $150m. Plus 63 days accrued. Callable from Dec 01 at par. H1) 3-mth Libor +75bp to Dec 01, then +150bp to Dec 06, then +225bp. J) Call on 18/2/99 at par. J1) 6.3% to 18/2/98, then 6.8%. K) 7% for 1st yr. Remaining annual coupons set at end of 1st yr with reference to 3-mth Libor. L) 6-mth Libor +20bp; max 8¼%, min 5%. M) Callable after 10 yrs at par. M1) 3-mth Libor +55bp. N) Call on 28/2/99 at par. O) 6% to 14/3/01, then 16% - 2 x 6-mth Libor. P) Redeemed in $ or Y. Q) 6-mth Libor +50bp, interest accrues when 6-mth Libor is between: 2-6.25% in yr 1, 3-9.2% in yr 2, 4-10.2% yr 3. R) 3-mth Libor flat. S) 3-mth Libor +7bp. T) Call on 5/3/99 at par. T1) 11% to 5/3/99, then 19½% - 2 x 6-mth Libor. U) Linked to performance of Archer Fund, min 1%. Note: Yields are calculated on ISMA basis.

EMERGING MARKETS By Virginia Marsh

Romania gets its house in order

After a slow start last year, Romania's fledgling capital markets have begun strongly in 1997, with a near 30 per cent rise on the Bucharest Stock Exchange and rapid expansion in the number of companies traded on the recently launched over-the-counter market.

Buoyed by a change of government and this month's sharp depreciation of the leu, the local currency, the unofficial VAB Index of the Bucharest Stock Exchange rose 19 points to close at 335 at the last session on Thursday, up from 262 at the start of the year.

Mr Mike Hicks, head of Creditanstalt's asset management operation in Bucharest, says the rise is a sign that foreign funds are starting to enter the market.

"Western fund managers are beginning to build relationships with local brokers and right now, most of the large brokers are busy churning out proposals," he says.

For most of last year, the BSE, which opened in late 1995, was plagued by tiny volumes and falling prices as the country's economic problems mounted ahead of November's elections. Instead, brokers diverted their attention to Rasdaq, the highly publicised OTC market.

Rasdaq, which was set up with US help last October, was created to trade some 4,000 companies sold under a mass privatisation programme that handed out free stakes of up to 60 per cent to some 16m Romanians. It already trades a little over 2,300 stocks and hopes to add most of the remainder by the end of February.

The OTC has experienced delays and technical problems, lacks transparency and is expensive – it costs brokers almost 3 per cent to make a trade.

But whatever the market's shortcomings, analysts say its opening, and the mass privatisation programme, have finally freed a large part of the economy from state control. Although Romania launched its first privatisation plan in 1991, few sales have been made to foreign investors due to the former government of ex-communists' half-hearted approach to reform.

So far, western investors and the local financial community have been greatly encouraged by the new centre-right administration. The government, which took office in December, has already begun loan discussions with the International Monetary Fund after last year's disastrous pre-election spending binge.

The budget deficit widened to nearly 6 per cent of gross domestic product in 1996 from a target of 2.2 per cent while inflation nearly doubled to 56.9 per cent. Inflation is set to rise even further this year because of price and foreign exchange liberalisation. However, investors believe the government will come up with a credible reform package.

Brokers say that this month's courageous 40 per cent depreciation of the leu to close to its black market rate has removed one of the main obstacles to investment in stocks by foreign funds, after nearly a year of the currency being been held at an artificially high rate.

As part of pledges to make capital market development a top priority, government officials have also promised to look into listing Treasury bills on the BSE in the near future, and to improve conditions and regulation for the sector. Foreign portfolio investors face daunting bureaucracy; local leu funds have yet to recover from the collapse of the largest fund last year after alleged fraud.

> **Whatever the shortcomings of the market, its opening and the mass privatisation programme have finally freed a large part of the economy from state control**

The government has also said it would speed up sales of the state's residual stakes in companies in the privatisation scheme. This is important as the State Ownership Fund, the main privatisation body, remains by far the largest stakeholder or majority owner in many companies.

The fund retained 51 per cent of some of the most attractive enterprises so it could offer controlling stakes to strategic investors or float them on the BSE.

The BSE, which at present trades just 17 stocks, had feared being eclipsed by Rasdaq. In fact, many of the newly privatised companies that meet its criteria are switching from the OTC to the stock exchange – Mr Teodor Nicolaescu, a BSE board member, says the exchange has received more than 50 applications.

"Trading on the BSE is four times cheaper than Rasdaq, it is very safe from a technical point of view and has high disclosure requirements, which make hostile takeover bids virtually impossible," he says. "I am confident both company managers and foreign investors will prefer the BSE and I expect slow but steady growth both in volume and prices."

Rasdaq, on the other hand, analysts say, is likely to remain volatile for some time, although with most stocks trading at less than a sixth of their nominal price there are clearly bargains.

"Capital markets are on their way now," says Ms Vivien Ashton, head of the UK government Know How Fund's local capital markets project. "But the real test will come later this year when [in contrast to free share distribution until now] the first companies start trying to raise money on them."

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	24/01/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (448)	170.87	+1.07	+0.63	+12.43	+7.84	+10.76	+6.72
Latin America							
Argentina (22)	115.06	-1.45	-1.25	+9.63	+9.14	+7.93	+7.40
Brazil (24)	290.59	+6.58	+2.31	+34.34	+13.40	+29.56	+11.32
Chile (16)	182.09	+1.18	+0.62	+20.03	+12.36	+19.64	+12.09
Colombia (13)	198.04	-22.19	-10.17	+22.70	+13.09	+22.34	+12.86
Mexico (27)	80.87	-0.55	-0.60	+9.88	+12.30	+9.19	+11.25
Peru (12)	1,135.06	+23.86	+2.15	+142.83	+14.39	+127.84	+12.89
Venezuela (6)	61.28	-0.39	-0.64	-0.16	-0.25	-0.90	-1.45
Latin America (118)	158.76	+0.95	+0.60	+17.19	+12.14	+15.28	+10.63
Europe							
Czech Rep.(14)	105.79	-0.65	-0.61	+4.41	+4.35	+1.51	+1.45
Greece (20)	129.39	+0.46	+0.38	+16.88	+15.00	+17.09	+15.21
Poland (25)	381.25	+4.64	+1.21	+39.54	+11.57	+37.51	10.91
Portugal (17)	160.56	-0.46	-0.28	+16.02	+11.08	+14.38	+9.84
South Africa (30)	131.93	-1.17	-0.88	+4.25	+3.33	+2.05	+1.57
Turkey (27)	184.86	+38.91	+26.70	+62.22	+50.82	+59.82	+47.88
Europe (133)	127.69	+2.28	+1.83	+11.15	+9.57	+9.35	+7.90
Asia							
China (27)	53.36	-2.85	-5.08	+1.49	+2.88	-3.13	-5.53
Indonesia (30)	165.10	+0.98	+0.60	+9.88	+6.35	+8.67	+5.54
Korea (23)	85.66	-4.48	-4.95	+2.74	+3.29	+4.65	+5.73
Malaysia (24)	281.67	+4.33	+1.56	+6.85	+2.49	+1.25	+0.44
Pakistan (13)	68.13	-1.07	-1.60	+4.54	+7.37	+7.88	+13.14
Philippines (18)	330.06	+2.61	+0.80	+20.29	+6.55	+18.27	+5.19
Taiwan (31)	190.76	-1.04	-0.54	+4.00	+2.14	+5.33	+2.87
Thailand (29)	160.45	+3.50	+2.23	+3.44	+2.19	+5.29	+3.41
Asia (193)	223.47	+0.31	+0.14	+7.49	+3.46	+6.22	+2.86

All indices in $ terms. January 7th 1992=100. Source: ING Baring Securities.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jan 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.8393	-0.1822	313 - 473	18.8992	18.8235	18.5953	2.8	18.5398	2.1	-	-	109.9
Belgium	(BFr)	54.6558	-0.3347	261 - 855	55.1730	54.6050	54.5306	2.7	54.2658	2.9	53.0706	2.9	104.2
Denmark	(DKr)	10.1141	-0.0652	100 - 182	10.2145	10.1067	10.0942	2.4	10.0536	2.4	9.8747	2.4	106.2
Finland	(FM)	7.9094	-0.0422	034 - 153	7.9920	7.8810	-	-	-	-	-	-	83.9
France	(FFr)	8.9337	-0.0625	307 - 367	9.0119	8.9299	8.913	2.8	8.8713	2.8	8.6685	3.0	107.0
Germany	(DM)	2.6494	-0.0188	483 - 504	2.6764	2.6484	2.6429	2.9	2.6296	3.0	2.5648	3.2	105.9
Greece	(Dr)	416.059	-2.246	875 - 242	419.832	415.307	-	-	-	-	-	-	66.6
Ireland	(I£)	1.0147	-0.0043	138 - 155	1.0223	1.0138	1.0144	0.4	1.0134	0.5	1.0069	0.8	102.2
Italy	(L)	2583.04	-24.04	135 - 473	2614.95	2581.35	2588.29	-1.5	2588.84	-0.9	2578.79	0.2	78.1
Luxembourg	(LFr)	54.6558	-0.3347	261 - 855	55.1730	54.6050	54.5306	2.7	54.2658	2.9	53.0706	2.9	104.2
Netherlands	(Fl)	2.9743	-0.0209	731 - 754	3.0063	2.9731	2.9665	3.1	2.951	3.1	2.8775	3.3	104.0
Norway	(NKr)	10.6109	-0.1402	066 - 151	10.7751	10.5966	10.5984	1.4	10.5784	1.2	10.4734	1.3	102.9
Portugal	(Es)	265.250	-0.888	104 - 397	267.273	263.650	265.445	-0.9	265.815	-0.9	-	-	95.3
Spain	(Pta)	223.365	-1.084	226 - 490	225.495	223.251	223.363	0.0	223.143	0.4	220.748	1.2	78.6
Sweden	(SKr)	11.7382	-0.0706	274 - 449	11.8818	11.6982	11.7172	1.9	11.6727	2.2	11.4632	2.3	86.3
Switzerland	(SFr)	2.2875	-0.0313	869 - 887	2.3204	2.2851	2.2795	4.2	2.2643	4.1	2.1926	4.1	103.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	95.3
Ecu	-	1.3689	-0.0059	677 - 689	1.3818	1.3658	1.3684	1.7	1.3619	1.9	1.3405	2.0	-
SDR	-	1.168171	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6279	+0.0002	274 - 283	1.6399	1.6269	-	-	-	-	-	-	-
Brazil	(R$)	1.6998	+0.0007	992 - 004	1.7067	1.6961	-	-	-	-	-	-	-
Canada	(C$)	2.1945	+0.0102	935 - 954	2.2003	2.1888	2.1894	2.8	2.1785	2.9	2.1195	3.4	86.3
Mexico	(New Peso)	12.7381	+0.0575	309 - 453	12.7542	12.6968	-	-	-	-	-	-	-
USA	($)	1.6286	+0.0007	282 - 290	1.6382	1.6270	1.6276	0.7	1.6258	0.7	1.617	0.7	101.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1081	-0.0029	069 - 093	2.1198	2.0999	2.1094	-0.7	2.1101	-0.4	2.1097	-0.1	94.6
Hong Kong	(HK$)	12.6065	+0.0074	029 - 101	12.6639	12.5944	12.5992	0.7	12.5864	0.7	12.5207	0.7	-
India	(Rs)	58.3772	+0.0465	547 - 997	58.5700	58.3547	-	-	-	-	-	-	-
Israel	(Shk)	5.3657	-0.0091	579 - 734	5.3911	5.3579	-	-	-	-	-	-	-
Japan	(Y)	193.608	-0.991	512 - 704	196.100	192.980	192.678	5.8	190.823	5.8	182.408	5.8	125.3
Malaysia	(M$)	4.0644	+0.0066	526 - 562	4.0867	4.0481	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3489	+0.0141	475 - 503	2.3573	2.3403	2.3556	-3.4	2.3651	-2.8	2.3859	-1.6	113.2
Philippines	(Peso)	42.8073	+0.0265	379 - 567	42.9567	42.8379	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1083	+0.0033	064 - 101	6.1358	6.1026	-	-	-	-	-	-	-
Singapore	(S$)	2.2930	+0.0004	919 - 941	2.3020	2.2908	-	-	-	-	-	-	-
South Africa	(R)	7.5119	-0.0163	060 - 178	7.5496	7.5060	-	-	-	-	-	-	-
South Korea	(Won)	1392.05	+1.5	162 - 247	1396.49	1389.82	-	-	-	-	-	-	-
Taiwan	(T$)	44.7214	+0.0516	778 - 649	44.8669	44.6778	-	-	-	-	-	-	-
Thailand	(Bt)	42.0098	-0.0144	913 - 282	42.2120	41.7850	-	-	-	-	-	-	-

† Rates for Jan 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.4450	-0.0881	429 - 471	11.5210	11.4910	11.4303	1.5	11.385	2.1	11.19	2.2	109.6
Belgium	(BFr)	33.5600	-0.22	500 - 700	33.8070	33.5000	33.5	2.1	33.3725	2.2	32.8325	2.2	104.0
Denmark	(DKr)	6.2108	-0.0427	093 - 113	6.2589	6.2028	6.2014	1.7	6.183	1.8	6.1013	1.8	105.5
Finland	(FM)	4.8566	-0.028	541 - 590	4.8965	4.8304	4.8478	2.2	4.8291	2.3	4.7466	2.3	83.3
France	(FFr)	5.4855	-0.0408	850 - 860	5.5237	5.4619	5.4771	1.8	5.4592	1.9	5.3835	1.9	106.4
Germany	(DM)	1.6268	-0.0122	265 - 270	1.6395	1.6246	1.6239	2.1	1.6179	2.2	1.5932	2.1	105.3
Greece	(Dr)	255.470	-1.49	420 - 520	257.250	255.030	257.025	-7.8	259.595	-6.5	270.62	-5.9	66.5
Ireland	(I£)	1.6051	+0.0078	041 - 060	1.6070	1.5985	1.6046	0.3	1.6043	0.2	1.6014	0.2	-
Italy	(L)	1586.05	-15.45	540 - 670	1602.30	1584.78	1588.78	-2.1	1591.94	-1.8	1592.89	-0.4	77.8
Luxembourg	(LFr)	33.5600	-0.22	500 - 700	33.8070	33.5000	33.5	2.1	33.3725	2.2	32.8325	2.2	104.0
Netherlands	(Fl)	1.8263	-0.0136	260 - 265	1.8415	1.8247	1.8225	2.5	1.8145	2.6	1.779	2.6	103.7
Norway	(NKr)	6.5153	-0.088	143 - 163	6.6025	6.5060	6.5115	0.7	6.5059	0.6	6.4803	0.5	101.5
Portugal	(Es)	162.870	-0.46	820 - 920	163.600	161.600	163.079	-1.5	163.37	-1.2	164.145	-0.8	95.8
Spain	(Pta)	137.150	-0.725	100 - 200	138.120	137.080	137.248	-0.9	137.26	-0.3	136.48	0.5	78.5
Sweden	(SKr)	7.2063	-0.0465	027 - 099	7.2817	7.1755	7.2036	0.5	7.1936	0.7	7.1483	0.8	85.8
Switzerland	(SFr)	1.4046	-0.0198	042 - 050	1.4218	1.4029	1.4008	3.3	1.393	3.3	1.3601	3.2	102.4
UK	(£)	1.6286	+0.0007	282 - 290	1.6382	1.6270	1.6276	0.7	1.6258	0.7	1.617	0.7	95.7
Ecu	-	1.1903	+0.0057	900 - 905	1.1924	1.1840	1.1919	-1.4	1.1947	-1.5	1.2113	-1.8	-
SDR†	-	0.713821	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	-0.0003	995 - 996	0.9996	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0437	-	436 - 438	1.0438	1.0434	-	-	-	-	-	-	-
Canada	(C$)	1.3475	+0.0057	472 - 477	1.3490	1.3435	1.3451	2.1	1.3401	2.2	1.3126	2.6	86.5
Mexico	(New Peso)	7.8215	+0.032	190 - 240	7.8240	7.8190	7.8385	-16.1	8.206	-19.7	9.0685	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	102.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2944	-0.0024	940 - 948	1.2948	1.2940	1.2959	-1.4	1.2978	-1.1	1.3033	-0.7	96.6
Hong Kong	(HK$)	7.7407	+0.0012	404 - 410	7.7420	7.7400	7.7406	0.0	7.7412	0.0	7.7522	-0.1	-
India	(Rs)	35.8450	+0.016	400 - 500	35.8550	35.8400	36.06	-7.2	36.52	-7.5	-	-	-
Israel	(Shk)	3.2947	-0.007	907 - 986	3.3074	3.2903	-	-	-	-	-	-	-
Japan	(Y)	118.880	-0.88	850 - 910	120.150	118.380	118.405	4.8	117.4	5.0	113.2	4.8	125.8
Malaysia	(M$)	2.4895	+0.003	890 - 900	2.4920	2.4840	2.4924	-1.4	2.4977	-1.3	2.519	-1.2	-
New Zealand	(NZ$)	1.4423	+0.0081	416 - 428	1.4428	1.4407	1.4478	-4.6	1.4521	-2.7	1.4836	-2.9	-
Philippines	(Peso)	26.3400	+0.005	100 - 700	26.3700	26.3100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0003	504 - 508	3.7508	3.7504	3.7508	-0.1	3.7513	-0.1	3.7532	-0.1	-
Singapore	(S$)	1.4080	-0.0003	076 - 083	1.4095	1.4070	1.4059	1.8	1.4012	1.9	1.38	2.0	-
South Africa	(R)	4.6125	-0.012	100 - 150	4.6260	4.6050	4.6532	-10.6	4.7262	-10.0	5.043	-9.3	-
South Korea	(Won)	854.750	+0.55	700 - 800	855.300	853.400	-	-	-	-	-	-	-
Taiwan	(T$)	27.4600	+0.02	400 - 800	27.4920	27.4280	27.4601	0.0	27.4603	0.0	-	-	-
Thailand	(Bt)	25.7950	-0.02	900 - 000	25.8200	25.6190	25.885	-4.2	26.0525	-4.0	26.69	-3.5	-

† SDR rate per $ for Jan 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 23: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.31	94.91	-0.01	94.92	94.91	155	4,678
Jun	94.72	94.74	-0.01	94.74	94.72	17	3,230
Sep	94.51	94.53	-0.01	94.52	94.50	105	549

All Open interest figs. are for previous day

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	6.00	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of Scotland	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Investec Bank (UK) Ltd	6.00		
Clydesdale Bank	6.00	Julian Hodge Bank	6.00		
The Co-operative Bank	6.00	●Leopold Joseph & Sons	6.00		
Coutts & Co	6.00	Lloyds Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		

● Members of London Investment Banking Association
* In administration

OTHER STATISTICS

STOCK INDICES

[illegible]

RIGHTS OFFERS

[illegible]

BANK RETURN

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

FT GOLD MINES INDEX

[illegible]

UK GILTS PRICES

[illegible]

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Notes	Price	Wk% ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind	[illegible]	£21¾	—	Q545c	ϕ	May Oct	2.9	–
Barlow	[illegible]	95½xd	–1.0	Q105c	3.3	Jan Jul	9.12	–
Gold Flds Prop R	†	134¼	–4	Q65c	1.5	Feb Sep	25.2	–
NK Props		65	—	Q59c	–	Mar Sep	9.95	–
SASOL	♥	645	—	Q78c	ϕ	Oct	9.98	–
SA Brews		£19¾xd	1.8	Q208c	ϕ	Jul Feb	2.12	4113
Standard Bank		£24¼	2.3	Q264c	3.1	Sep Mar	–	–
Tiger Oats		790	—	Q132c	2.8	Jan Jul	10.6	–
Tongaat-Hulett		750xd	1.9	Q130c	ϕ	Jan Jun	20.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ∮ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions:** West Brom Albion (AIM), Kleinwort 2nd Endw 2009 (IVTs), and Cadcentre (SpSv). **Deletions:** Neilson Cobbold, Strong & Fisher (AIM), Alex & Alex (Insce), Blenheim Ord & 6.4pc Prf (Media), Gt Western Res (Oil Ex).

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

Fidelity Funds - Contd.

Mercury Asset Management S.A. - Contd.

ACM Global Investment - Contd.

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

State Street Luxembourg SA

CMI Ins Co Ltd/Clerical Med Gen Life

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Old Mutual Hong Kong

	Selling Price	Buying Price	Yield Gross	City-Line
Dollar Money Market	$0.980	1.063	-	58244
Sterling Money Market	£1.027	1.104	-	58252
International Fixed Interest	$1.109	1.192	-	58242
UK Fixed Interest	£1.082	1.163	-	58250
Dollar Managed	$1.072	1.153	-	58243
Sterling Managed	£1.055	1.134	-	58251
European Stockmarket	£1.341	1.442	-	58254
International Stockmarket	$1.094	1.176	-	58241
Pacific Stockmarket	$0.956	1.038	-	58240
Emerging Asset Stockmarket	$1.067	1.147	-	58245
Japanese Stockmarket	$0.762	0.815	-	58249
Hong Kong Stockmarket	$1.490	1.602	-	58248
Dollar Special Market	$0.946	1.018	-	58247
Sterling Special Market	£0.901	0.969	-	58253
Latin American Stockmarket	$1.211	1.303	-	58246

Sun Life International (IOM) Ltd

Bridge House, Castletown, Isle of Man

	Selling Price	Buying Price	Yield Gross	City-Line
Aggressive Managed	£1.412		-	52375
Balanced Managed	£1.299		-	52377
Defensive Managed	$1.323		-	52379
Sterling Income	$1.218		-	52381
Sterling Guaranteed Money	£1.252		-	52383
Offshore Deferred Distribution	£1.425		-	52374

OTHER OFFSHORE FUNDS

ATSP Management Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Nov 30	$44.07		-	47417

AXA Asset Management

	Selling Price	Buying Price	Yield Gross	City-Line
AXA Valeurs	FFr185.880		-	58555
AXA Europe Actions	FFr326.250		-	59658
AXA NPI	FFr137.970		-	58560

Acciones y Valores de Mexico SA de CV

	Selling Price	Buying Price	Yield Gross	City-Line
Accival Jan 23	Pesos64.55		0.25	55258

Africa Emerging Markets Fund

	Selling Price	Buying Price	Yield Gross	City-Line
NAV Jan 10	$12.55		-	64082

Agribusiness Fund Management Co

	Selling Price	Buying Price	Yield Gross	City-Line
ABC Bond	$10.65		-	-
Chifund	$1.00		-	-

Alliance Capital

[illegible]

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

US INDICES

Industrials¥	904.61	912.27	922.76	922.76 (22/1/97)	702.07 (15/1/96)	922.76 (22/1/97)	3.52 (30/6/32)
Financial	85.66	86.75	87.73	87.73 (22/1/97)	58.67 (10/1/96)	87.73 (22/1/97)	7.13 (4/9/74)
NYSE Comp.	405.51	409.15	412.80	412.80 (22/1/97)	321.41 (10/1/96)	412.80 (22/1/97)	4.64 (25/4/42)
Amex Comp.	598.18	589.69	590.87	617.81 (22/5/96)	524.20 (15/7/96)	617.81 (22/5/96)	524.20 (15/7/96)
NASDAQ Comp	1363.83	1375.36	1388.06	1388.06 (22/1/97)	988.57 (15/1/96)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Jan 17	Jan 10	Jan 3	Year ago
Dow Jones Ind. Div. Yield	1.95	1.96	2.03	2.28
	Jan 22	Jan 15	Jan 8	Year ago
S & P Ind. Div. yield	1.74	1.78	1.83	1.95
S & P Ind. P/E ratio	24.40	23.84	23.28	18.96

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Pepsico	15,488,800	33⅝	-⅛
Micron	11,064,500	32⅝	+½
IBM	8,189,400	150⅝	-1⅝
AT & T	7,257,900	38½	+½
Gen Motors	5,028,000	62⅞	+⅛
Coca Cola	5,106,300	57	-⅛
Home Depot	4,995,200	48⅝	-1⅝
GEC	4,284,800	101⅞	-2⅛
Compaq	4,255,200	81⅛	-2⅝
Digital Eqp	3,645,600	37	+2¼

■ TRADING ACTIVITY

● Volume (million)

	Jan 24	Jan 23	Jan 22
New York SE	548.835	669.569	689.048
Amex	21.099	26.670	27.683
NASDAQ	(n)	812.439	738.229
NYSE			
Issues Traded	3,313	3,330	3,332
Rises	837	1,131	1,190
Falls	1,711	1,412	1,314
Unchanged	765	787	828
New Highs	62	282	204
New Lows	29	22	21

■ S&P 500

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	779.95	769.75	-10.50	782.20	768.50	63,797	186,922
Jun	788.00	777.00	-10.65	789.30	777.50	2,228	9,564

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	17790.0	17660.0	-250.0	17830.0	17520.0	25,209	213,249
Jun	17720.0	17690.0	-330.0	17770.0	17560.0	225	33,519

Open interest figures for previous day.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, January 24, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	11.6m	1190	+40	Yaohan Japan	4.3m	435	+15
Fujita	8.0m	220	-37	Nippon Steel	4.2m	293	-2
Wakachiku Const	6.7m	664	-3	Nippon Credit Bk	3.9m	232	-13
NEC Corp	4.6m	1400	-20	Sumitomo Metal	3.9m	256	
Fuji Bank	4.6m	1300	-40	Sumitomo Bank	3.8m	1340	-30

NEW YORK STOCK EXCHANGE PRICES

4 pm close January 24

1996/97 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev Close
32	26¾	AAR	0.48	1.8	22	888	26⅞	26⅝	26⅞	+¼
46½	33	AMP	1.04	2.6	30	9781	40¾	39⅞	40¼	-⅜
57½	66	AMR			16	5877	86¼	84¼	84⅞	-1⅛
50½	33¼	ASA	1.20	3.5	22	948	34⅝	34	34⅞	+½
57¾	38½	AbbtL x	0.06	1.0	23	9317	55¼	53⅞	54½	+½
17⅞	18¾	Abitibi Pr	0.40	2.3	8	740	16	15⅝	15¾	-¼
20¼	13½	ABM Ind x	0.40	2.1	17	128	18⅞	18⅝	18⅞	+¼
22½	13⅞	Acptncein			10	42	20½	20⅜	20⅜	-⅛
61¼	37¾	ACE Ltd	0.72	1.3	6	6302	57⅞	56¼	56⅝	-½
19½	9½	ACM Gvt In	0.90	8.9	11	886	10⅜	10⅛	10⅛	-⅛
7⅞	6⅜	ACM GvOpp	0.36	5.1		238	7¼	7⅛	7½	
9⅞	0⅝	ACM Man	0.45	5.1		214	9½	9⅜	9½	+½
13⅞	8⅛	Acme Elect				168	8¾	8⅜	8⅜	-¼
21⅝	13⅞	Acme Mills			14	00	20	19⅝	20	
33¾	27¼	Acordia	0.80	2.8	14	47	28½	28⅛	28¾	
28¾	12	Acuson				784	26⅜	25⅞	26⅜	+⅛
31½	17⅞	Adams Expr	0.55	2.7	1	613	20½	20⅜	20⅜	-½
36	18¾	AdvMic			32	17256	32⅞	31½	31⅞	-¾
11½	8½	Advest Grp			8	60	11½	11¼	11¼	-¼
26⅛	9⅛	Advo Inc			20	148	13	12⅜	12¾	-¼
00½	41⅛	Aegon	1.16	1.8	16	49	64½	64¼	64⅜	-¼
8¾	3½	Aerfix				1333	4⅜	4	4¼	-⅜
50⅛	40⅜	AES Corp				30	48	48	38⅝	-¾
82½	57⅞	Aetna	0.80	1.1	43	5892	77⅛	75½	75⅞	-⅜
44	28¼	AffiacS	0.40	0.9	17	686	42⅞	42¾	42⅜	-⅜
22	17⅛	AGL Res	1.08	5.2	15	402	20¾	20⅜	30⅝	+⅛
30¾	31¼	Ahmanson	0.88	2.4	40	6722	36	36⅞	36⅞	-1¼
[illegible]										

Continued on next page

مكتبة المعلم

NYSE PRICES

4 pm close January 24

Continued from previous page

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. tis-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
x Dealings suspended.

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AMEX PRICES

4 pm close January 24

NASDAQ NATIONAL MARKET

4 pm close January 24

FT GUIDE TO THE WEEK

MONDAY 27

N Ireland talks resume

Talks oo Northern Ireland's constitutional future resume in full session, with Sinn Fein still excluded because of the IRA's refusal to reinstate its ceasefire. With puhlic interest likely to be absorbed by the publication on Thursday of the North report on the conduct of sectarian marches, the British and Irish governments will want to inject new life into the stalled negotiations. There is concern that some unionists may try to have the small fringe loyalist parties barred from the talks because of their links with protestant paramilitaries.

Franco-German tensions

Disagreemeots between France and Germany over French proposals for a G7-style economic council to discuss EU economic policy after monetary union may overshadow a meeting of EU finance ministers in Brussels. Although a French proposal to create a political counterweight to the future European Central Bank is not on the agenda, it is expected to come up. There will also be discussions of the meeting of G7 finance ministers on February 8 – and a Belgian suggestion that the European Commission should be invited to attend.

Smoking banned outdoors

Smokers will not he allowed to add, in public at least, to New Delhi's cboking pollutioo following an outright ban on smoking outdoors, in government offices, cinemas, scbools, buses and trains. Offenders face fines of up to Rs500 (£8.50). The state government has introduced the ban – the first of its type in India – partly to help address the city's pollution, partly to aid the fight against lung diseases. However, one receot study suggested that inhaling Delhi's mostly vehicle-polluted air was the equivalent anyway to smoking 20 cigarettes a day.

Smokescreen: cigarette smoking outdoors is being banned in New Delhi, partly, it is said, to address the city's pollution problems

Fines over illegal workers

UK employers face fines of up to £5,000 for every illegal worker they take on without making reasonable checks on that person's eligibility to work in Britain. It is estimated the law, whicb is aimed particularly at casual labour, will cost industry a one-off sum of £19.8m and a further £11.6m a year. The government claims easy access to jobs has made Britain a "magnet" for illegal immigrants. Immigrants' rights campaigners warn tbe rules will encourage racial discrimination.

Rifkind in the Balkans

Malcolm Rifkind, the UK foreign minister, holds talks in Bucharest with Romania's new centre-right government at the start of a visit to the Balkans. Bucharest will be pushing for British backing for the inclusion of Romania in the first wave of Nato enlargement, due to be decided in July. Its chances have improved since the reformist Democratic Convention won last November's elections. In Bulgaria, Mr Rifkind will meet Petar Stoyanov, who became president last week, and is expected to push for desperately needed reforms to lead the country out of its economic and social crisis.

Chechen chief leads polls

The separatist region of Cbechnya elects a new president and parliament after crushing the Russian army in a 20-month conflict and winning *de facto* independence. The latest straw polls suggest that Aslan Maskhadov, wbo commanded the Chechen military campaign, is likely to win the presidency. However, Shamil Basayev, the radical field commander who launched a hostage-taking raid on Budyennovsk, appears to bave gained ground. An estimated 5 per cent of the pre-war population of 1.1m were killed in the fighting.

Knotty problem in China

A fourth round of negotiations on a new bilateral textile agreemeot between China and the US starts in Beijing. In December, the two countries held talks in Beijing to settle tbeir dispute over textile import penalties, with the US accusing China of shipping textiles through third countries to avoid quota restrictions. In response to the financial penalties imposed by the US on Chinese textile imports, China has threateoed a retaliatory ban oo some US imports, the latest deadline being the end of January.

Public holidays

Australia, Monaco.

TUESDAY 28

Germany issues forecasts

The German governmeot issues its annual report on the economy, which will be scrutinised for signs of policy initiatives to bring Germany's high – and rising – unemployment back below 4m. Its forecasts are generally expected to point to real economic growth of 2.5 per cent this year and an average jobless rate of 11 per ceot.

Toxic waste in Manila

Manila bosts an international toxic and hazardous waste congress backed by the Philippine government, the EU and the World Safety Organisation (to Jan 29). The Philippines is one of the region's worst offenders, with no ceotralised treatment and disposal facility for the 6.5m tons of toxic and hazardous waste produced annually. Philippine government delegates and international consultants will he amoog tbose comparing treatment methods – focusing on their implemeotation, regulation and the financing of eovironmeotal projects.

WEDNESDAY 29

Turkey presses EU

Tansu Çiller, Turkey's embattled foreign minister, meets senior government officials from Britain, France, Germany, Italy and Spain in Rome. European capitals are concerned about mounting tensions between Turkey, Greece and the Greek Cypriot government, while Turkey is threatening to veto Nato expansion unless the EU promises it full membership. Mrs Çiller has become increasingly hawkish as her domestic problems deepen. Last week, it was claimed in a German court that drug runners had "excellent relations" with the Turkish government and "personal contacts" with Mrs Çiller.

Gold secrets revealed

Overturning years of traditioo and secrecy – and with the blessing of the Bank of England – London bullion dealers reveal details about the turnover of the London gold market. With most international gold deals cleared through London, the statistics – to be provided by the Loodoo Bullion Market Association – should also give an indicatioo of the size of the gold market globally. The association says the move follows calls for greater transparency.

Kohl hosts Erhard gala

Helmut Kohl, the German chancellor, plays host to the country's economic policy-making elite at a lavish ceremooy to mark the centenary of tbe birth of Ludwig Erhard, the father of Germany's post-war ecooomic miracle and the social market economy. The celebrations, brought forward from Erhard's actual birthdate on February 4 to avoid the chaos of Bonn's pre-Leoten carnival, may be the occasioo for a bomily from the cbancellor on the need to reform the welfare state.

Public holiday

Nepal.

THURSDAY 30

Davos forum opens

The annual World Economic Forum gets under way in Davos, Switzerland (to Feb 4). Ostensibly focused this year on the theme of "Building the Network Society", Davos is an annual gathering of many of the world's leading politicians, central bankers, academics and business people. Key topics will include information technology, the future of Europe, Russia, tha Middle East peace process, reform at the United Nations and the Clintoo administration's post-election priorities for the US. Attendees might get some skiing in, too.

Aznar courts Germany

Germany's willingness or otherwise to have southern European conntries participate in the launch of the euro will be at the top of Spanish concerns in a bilateral summit meeting in Bonn. José Maria Aznar, the Spanish prime minister, has already visited Helmut Kohl, the German chancellor, twice since taking office nine months ago. Mr Aznar, accompanied by 11 cabinet ministers, will argua that Spain intends to meet the conditions for the single currency this year. Talks are also expected to focus on EU reform and changes in Nato, in which Spain is set to become a full military partner.

EU Year against Racism

Four days after the British clampdown on illegal workers attracts accusations that it will increase racial prejudice, the Netherlands – the bolder of the EU presidency – bosts the opening meeting in The Hague of the European Year Against Racism. Along with Padraig Flynn, the EU social affairs commissioner, the Dutch are seeking ways to curb what they fear is an increase in intolerance and discrimination. Initiatives include cootacting more than 500,000 local sports clubs to encourage a commitment against prejudice.

Saleroom

An important auction of Old Master paintings takes place at Sotheby's New York. Highlights include 24 paintings owned by the British Rail Pension Fund, including a pair of Venetian views by Canaletto, carrying an estimate of up to $2m (£1.1m), and a pair of woodland scenes by Boucher, with an estimate of up to $600,000. There are eight 17th-century paintings from the collection of Saul Steinberg – including the smallest painting attributed to Rembrandt, a portrait of an old man which measures 4¼ins by 2{{ins, expected to make up to $2m.

FRIDAY 31

Morse est mort

At midnight, Morse *est mort*. The maritime listening post oo Brittany's coast will stop receiving Morse coda messages. France Telecom has decreed the 153-year-old coda defunct – two years before Britain and the International Maritime Organisation formally ditch Samuel Morse's alphabetic language of dots and dashes. Although still pulsed over the emergency wavelength of 500kHz, Morse has been overtaken by verbal radio contact which, in turn, is giving way to satellite communication systems.

FT Surveys

Global Investment Banking; Property Finance.

Public holiday

Nauru.

SATURDAY 1

Rugby union

Five nations' championship: England v Scotland (Loodon), Wales v Ireland (Cardiff).

FT Survey

Quarterly Review of Personal Finance (UK only).

SUNDAY 2

Chirac visits Yeltsin

Jacques Chirac, the French president, visits his Russian counterpart Boris Yeltsin in Moscow for wide-ranging talks which are expected to cover the anlargement of Nato, co-operation with the G7 group of nations, the situation in the Balkans and Central Asia, and bilateral Franco-Russian issues.

Mother Teresa ballot

A secret ballot takes place in Calcutta to elect the successor of Mother Teresa as soperior general of the Missionaries of Charity, which operates in 111 countries. The 86-year-old Nobel Peace prize winner, who has led the order since she created it in 1948, wishes to retire because of health problems. The ballot follows a two-week retreat by the 103 ouns who make up the order's electoral college.

Skiing

World championships, Sestriere, Italy. (to Feb 16).

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news

Monday: The first estimate of UK GDP in the final quarter of last year should show an acceleratioo in growth despite the dampening effect of the pound's rise on manufacturing exports.

Tuesday: The UK's trade deficit may show signs of widening as stronger domestic growth sucks in more imports. US consumer confidence is forecast to remain at high levels in January. Economists think US data could show another large rise in wages in the fourth quarter of last year.

Wednesday: US durable goods orders are forecast to have rebounded last month. The minutes of the December UK monetary meeting will be scrutinised for arguments between the chancellor and the Bank of England about interest rates. US GDP data for the fourth quarter of last year should show an acceleration in growth.

Thursday: UK consumer horrowing probahly remained strong last mootb.

Friday: French unemployment is forecast to bave risen again in December. Japanese unemployment is expected to have risen slightly last month.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Denmark	Dec wholesale price index*	0.2%	-0.3%	Thurs	Neth	Q3 gross domestic product final***	0.7%	0.7%
Jan 27	Denmark	Dec wholesale price index**	1.1%	1.1%	Jan 30	Neth	Q3 gross domestic product final**	3.0%	3.0%
	UK	Q4 gross domestic product (prov)***	0.8%	0.7%	Friday	Japan	Jan consumer price index** (Tokyo)	0.2%	0.2%
	UK	Q4 gross domestic product (prov)**	2.6%	2.4%	Jan 31	Japan	Jan con price ind ex-perishables**	0.0%	-0.1%
	US	Dec existing home sales	4m	4.04m		Japan	Dec consumer price ind** (nation)	0.8%	0.5%
	Japan	Jan wholesale price ind (2nd 10 days)		0.0%		Japan	Dec con price ind ex-perishables**	0.3%	0.4%
Tues	UK	Nov global visible trade	-£800m	-£454m		Japan	Dec unemployment rate	3.3%	3.3%
Jan 28	UK	Dec visible trade ex-EU	-£700m	-£639m		Japan	Dec job offers/seekers ratio	0.75	0.74
	US	Q4 employment cost ind, civilian***	0.8%	0.6%		Japan	Dec construction orders**		-11.5%
	US	Q4 employment cost ind, civilian**		2.8%		Japan	Dec housing starts**	2.7%	9.9%
	Canada	Nov fix weight employment earnings**	3.0%	3.2%		Japan	Dec construction starts**		9.6%
	US	Jan consumer confidence	112.0	113.8		Switz	Jan federal consumer price index*	0.2%	0.1%
	Spain	Nov industrial production**	5.4%	6.1%		Switz	Jan federal consumer price index**	0.7%	0.8%
Wed	Japan	Dec industrial production†	0.6%	-1.4%		France	Dec unemployment rate	12.8%	12.7%
Jan 29	Japan	Dec shipments†		-0.5%		France	Dec jobseekers*	0.6%	0.7%
	Japan	Dec retail sales**	-1.7%	-0.3%		US	Q4 gross domestic product advance	3.5%	2.1%
	US	Dec durable orders	0.9%	-1.5%		US	Q4 gross dom prod deflator advance	2.2%	2.0%
	US	Dec durable shipments		1.2%		Canada	Nov real gross dom prod factor cost*	0.5%	-0.3%
	Canada	Dec ind production price index*	0.2%	-0.2%		US	Dec new home sales	737k	772k
	Canada	Dec raw materials price index	1.5%	1.5%		US	Jan agriculture prices		-1.8%
	Belgium	Jan consumer price index*	0.5%	0.2%	During the week...				
	Belgium	Jan consumer price index**	2.1%	2.5%		Germany	Dec Icon consumer climate		87.0
Thurs	UK	Dec consumer credit	£0.9bn	£1.1bn		Germany	Jan prelim cost of living west*	0.3%	0.3%
Jan 30	US	Initial claims Jan 25	344k	355k		Germany	Jan prelim cost of living west**	1.6%	1.4%
	US	State benefits Jan 25		2,482k					

*mth on mth, **yr on yr, ***qtr on qtr, †seasonally adjusted

Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

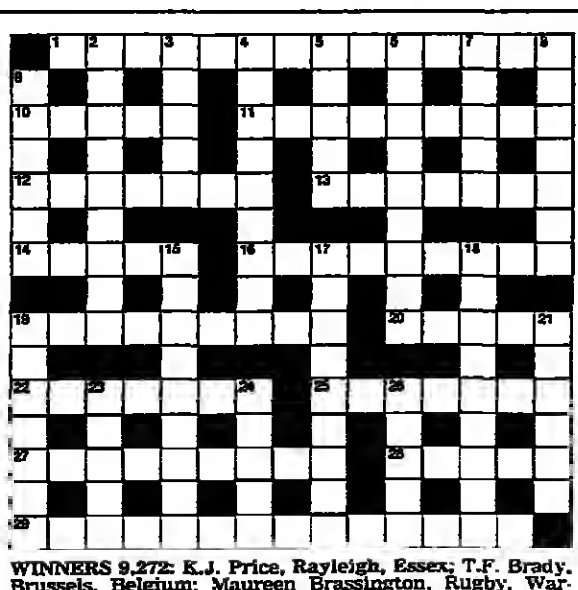
No.9,284 Set by GRIFFIN

ACROSS

1 Capital performance, on October 1st, of famous piano work (6,8)
10 Mortal smell bas a name! (5)
11 Screwed up by drunk, need replacing (9)
12 Physiotherapist to service half of Europe? (7)
13 Backing a foreign patent on a type of bomb (7)
14 Dne rusbed outside wben spotted (5)
16 Go with accountant, back to firm (9)
19 Mountain climbers, working in pairs? (9)
20 Cane the employees (5)
22 Loving an Italian city turned to ring us (7)
25 Union man got redhead into trouble (7)
27 Vital cure for shaking is profitable (9)
28 Bury artist has no father (5)
29 Dicky climbed there in a children's song (5,5,4)

DOWN

2 Now calling for confession (9)
3 Sign sick note for char (5)
4 A drop of liquid? (9)
5 Orchestra leader managed without string instrument (5)
6 Spiteful woman takes rake in as making holes in the ground (9)
7 Where one aims to ensure Kieran gets some (5)
8 In French airport, looking angry, stands hospital attendant (7)
9 Turns them as requiring running water (6)
15 Degree of fudge consumed? (9)
17 Carrying a cbild's bed, head for a sea? (9)
18 Cold father upset man in top room (9)
18 Tell fat drunk where to live? (7)
21 Shouted warning to contain old city uproar (6)
23 To take place in our cricket club (5)
24 Dne way to get sick, bowever (5)
26 Dislike taking tbe stage topless (5)



Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday February 6, marked Monday Crossword 9,284 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 10. Please allow 28 days for delivery of prizes.

Name..........

Address..........

WINNERS 9,272: K.J. Price, Rayleigh, Essex; T.F. Brady, Brussels, Belgium; Maureen Brassington, Rugby, Warwicks; C. Kennedy, Canterbury, Kent; R. Lennard, Aston Clinton, Bucks; J.W. Pentelow, Harefield, Middlesex.

Solution 9,272

JOTTER PAD